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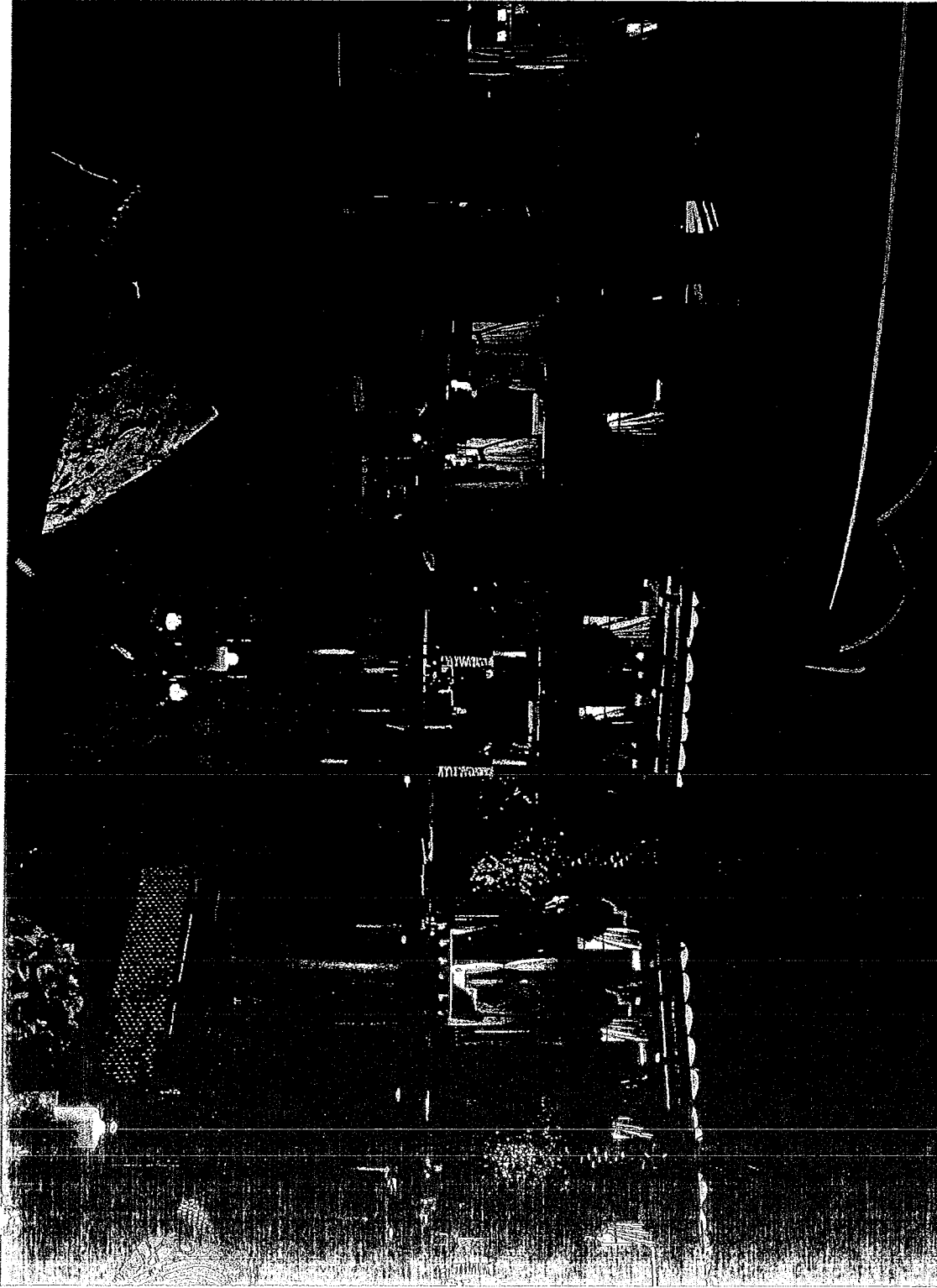


OYSTER PERPETUAL SUBMARINER DATE
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Declaration of Peter Nicholson
Exhibit 4

BONUS: OUR SUPPLEMENT ON E-BUSINESS

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BusinessWeek

AUGUST 6, 2001

A PUBLICATION OF THE MCGRAW-HILL COMPANIES

Investing

How our
Wall Street
column
performed

Global Summit

The fallout for
corporations
after Genoa

Xerox

Anne
Mulcahy
takes
charge

Indonesia

Can a new
leader save the
economy?

THE BEST GLOBAL BRANDS

Our first ranking
of the world's
most valuable
brands

PAGE 50



AOL Keyword: BW

COVER STORY

THE BEST GLOBAL BRANDS

They're everywhere, but putting a dollar value on them was no easy chore. Coke topped our list, at \$68.9 billion page 50



BusinessWeek

AUGUST 6, 2001

Cover Story

50 THE BEST GLOBAL BRANDS

Brand-building isn't just for detergent and soft drinks anymore. The practice has spread to nearly every industry, from high tech to aerospace: Corporations have found that trusted names can boost sales and earnings, and their value is immense. *BusinessWeek*, together with consultant Interbrand, has rigorously assessed the value of the world's best brands and ranked the top 100 in our first annual scoreboard

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Putting a price tag on intangible assets such as brands, patents, and research is a tough job, but it needs to be done, since they are the keys to investor value in a Knowledge Economy

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THE BEST GLOBAL BRANDS

Together with leading brand consultant **INTERBRAND**, we've ranked the leaders around the world

Not long after she started her new job as head of Boeing Co.'s marketing and public-relations department in 1999, Ford veteran Judith Muhlberg uttered the "B" word in a meeting of top executives. Immediately, a senior manager stopped her and said: "Judith, do you know what industry you're in and what company you've come to? We aren't a consumer-goods company, and we don't have a brand."

Boeing has come a long way since then. Today, branding matters in a big way at the aerospace giant. The company's first-ever brand strategy was formalized last year as part of an overall strategy to extend its reach beyond the commercial-airplane business. Now, everything from Boeing's logo to its plan to

relocate its corporate headquarters from Seattle to Chicago has been devised with the Boeing brand in mind.

A belief in the power of brands and brand management has spread far beyond the traditional consumer-goods marketers who invented the discipline. For companies in almost every industry, brands are important in a way they

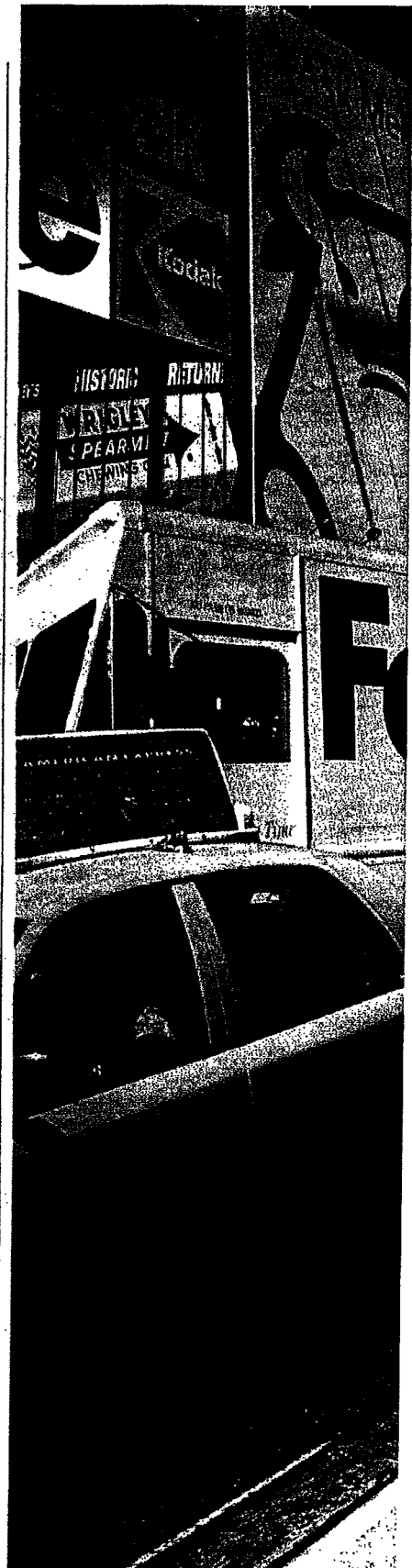
never were before. Why? For one thing, customers for everything from soda pop to software now have a staggering number of choices. And the Net can bring the full array to any computer screen with a click of the mouse. Without trusted brand names as touchstones, shopping for almost anything would be overwhelming. Meanwhile, in a global economy, corporations must reach customers in markets far from their home base. A strong brand acts as an am-

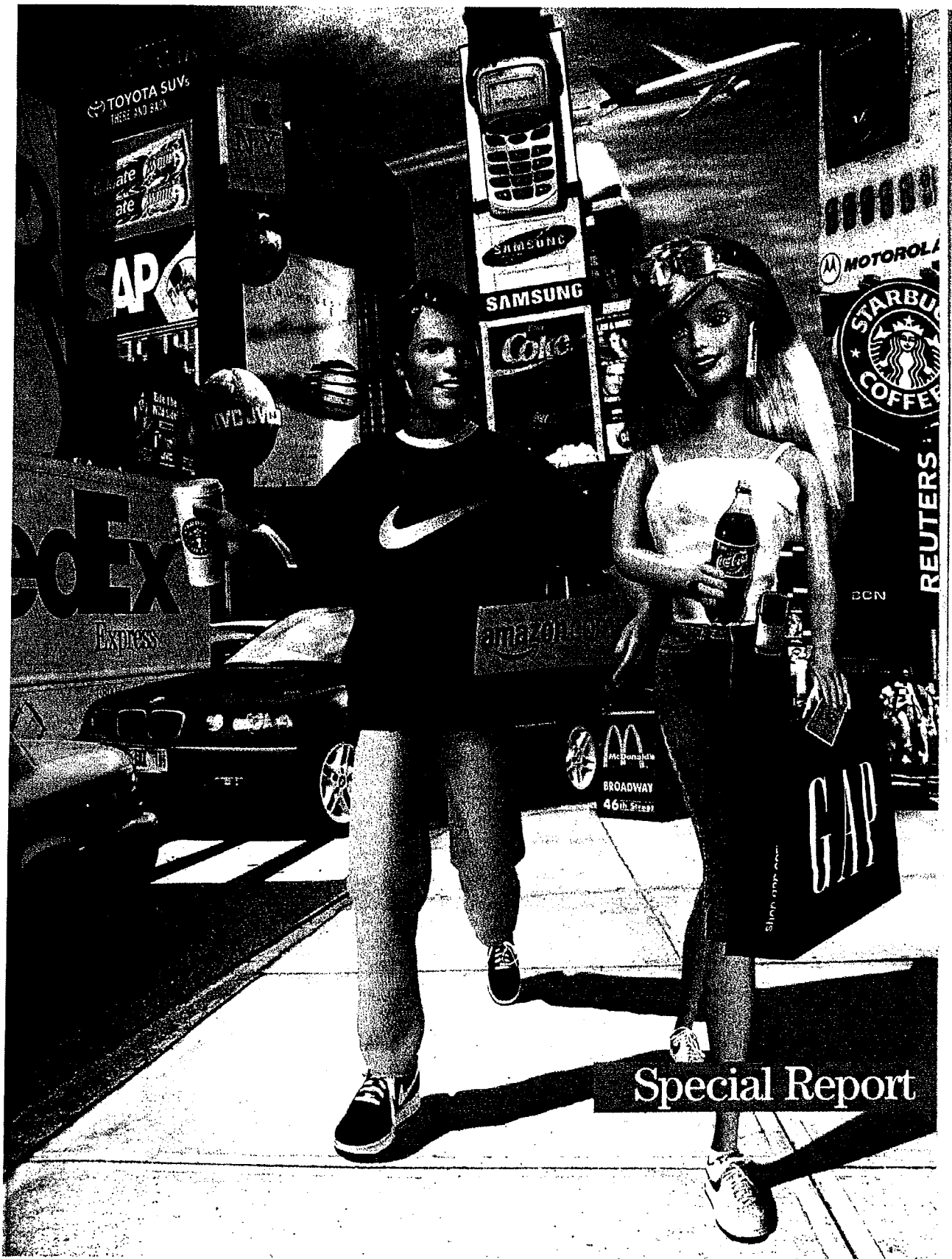
The World's 10 Most Valuable Brands

RANK	BRAND	2001 BRAND VALUE (\$BILLIONS)
1	COCA-COLA	68.9
2	MICROSOFT	65.1
3	IBM	52.8
4	GE	42.4
5	NOKIA	35.0
6	INTEL	34.7
7	DISNEY	32.6
8	FORD	30.1
9	MCDONALD'S	25.3
10	AT&T	22.8

Data: Interbrand, Citigroup

PHOTO ILLUSTRATION BY AARON GOODMAN

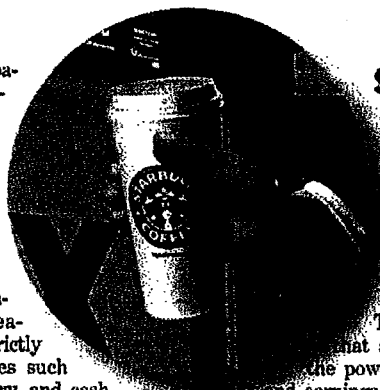




bassador when companies enter new markets or offer new products. It also shapes corporate strategy, helping to define which initiatives fit within the brand concept and which do not.

That's why companies that once measured their worth strictly in terms of tangibles such as factories, inventory, and cash have realized that a vibrant brand, with its implicit promise of quality, is an equally important asset. A brand has the power to command a premium price among customers and a premium stock price among investors. It can boost earnings and cushion cyclical downturns—and now, a brand's value can be measured.

That's exactly what we



STARBUCKS A disgruntled worker might spoil a customer's visit, so the coffee company has built its brand through employee benefits: Even part-timers get stock options

The basic theory is that strong brands have the power to increase sales and earnings. Interbrand tries to figure how much of a boost each brand delivers, how stable that boost is likely to be in the future, and how much those future earnings are worth today. Many of the brand names in our table are also the name of the parent company.

The assigned value, however, is strictly for the brand. Coca-Cola's value is based on products carrying the Coke name, not on Sprite or Fanta.

Some big household brands won't turn up in our ranking at all. Only global brands, generally defined as selling at least 20% outside of their home country or region, are included. That eliminates some familiar names such as Gatorade, whose sales are overwhelmingly in the U.S. In addition, each brand must have enough publicly available data for Interbrand to make a reliable assessment. That knocks out private companies such as Mars

Inc. and even some publicly traded ones that don't break out enough data.

In other cases, it's too difficult to separate the strength of the brand from other factors. That's the case with airlines, where schedules and hubs often leave travelers with little choice when buying tickets, no matter what their feeling about a particular airline. Interbrand ranked some corporations, including Johnson & Johnson and Procter & Gamble Co., based on their portfolios of brands. The portfolio ranking follows the table of 100 brands.

DE RIGUEUR. This kind of rigorous assessment of brand value has been required for more than a decade in Interbrand's original market, Britain, where measures of brand value often must be included on corporate balance sheets. Some experts believe that the U.S. and other countries should also require companies to break out brand valuations for investors (page 54). While other rankings rely on surveys of fleeting consumer perceptions, we believe our analysis will provide a reliable benchmark for comparison in years to come.

The ranking reflects the

Special Report



have done in our first annual report card of the world's most potent brands. To help assess which companies are managing their brands with skill and which ones aren't, *BusinessWeek* has teamed up with Interbrand Corp., a pioneering brand consultancy in New York, to offer a ranking of 100 global brands by dollar value. The ranking by Interbrand, a unit of Omnicom Group Inc., is based on a rigorous analysis of brand strength.



Wielding a Mean Branding Iron

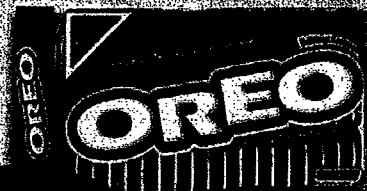
Over the past two decades, factors ranging from the rise of the global economy to the rise of the Internet have helped make brands more powerful than at any time in history. Here are the milestones along the way:

JUNE 22, 1984 British record mogul Richard Branson launches an airline, extending the Virgin name from music to planes. Virgin goes on to encompass stores, movies, and financial services in one of the great brand-building stories of the '90s. Marketers take note that a strong, fertile brand can go in all sorts of new directions.



APR. 23, 1985 To stem defections to rival Pepsi, Coca-Cola introduces a new, sweeter formulation of its iconic soda pop, only to bring back Coke Classic 77 days later amid one of the biggest consumer backlashes in marketing history. The debacle offers one of the first glimpses at the latent power of brands.

NOV. 30, 1988 As the takeover era reaches a climax, buyout firm Kohlberg Kravis Roberts & Co. submits the winning bid for RJR Nabisco.



walking away with a brand portfolio that includes Oreo cookies, Winston cigarettes, and Hawaiian Punch—all for a record-setting \$25.4 billion. The vast premium paid over book value in this and other acquisitions brings home to corporate leaders just how valuable brands can be.

important developments of the past year and shows just how much they cost in brand value. Fewer than half of the 74 brands for which Interbrand had a 2000 valuation showed a gain in value in 2001. Mighty Coca-Cola is still the world's most powerful brand, but the name lost 5% of its value last year, according to Interbrand's calculations, as it struggled against its longtime rival Pepsi, ranked at No. 44.

If No. 2 Microsoft hadn't been mired in antitrust troubles and an overall technology slowdown—causing it to shed 7% of its brand value—it would have cruised into the top spot on the list.

The dot-com meltdown claimed a lot of casualties. Yahoo!, at No. 59, and Amazon.com, at No. 76, while still formidable brands, nevertheless lost 31% each of their brand value amid widespread uncertainty about their ability to deliver earnings in the future. Still, the news wasn't all bad. No. 88-ranked Starbucks was the biggest gainer in percentage terms, adding 32% in value to its fast-growing

Winners

Whether it's Starbucks' iced lattes or the *Financial Times'* salmon-colored paper, ascendant brands all deliver a distinctive product to a growing legion of customers.

RANK	BRAND	2001 BRAND VALUE (\$BILLIONS)	2000 BRAND VALUE (\$BILLIONS)	% CHANGE
88	STARBUCKS	1.8	1.3	32
42	SAMSUNG	6.4	5.2	22
95	FINANCIAL TIMES	1.3	1.1	14
4	GE	42.4	38.1	11
94	GUINNESS	1.4	1.2	11

Data: Interbrand, Citigroup

brand, which now encompasses 4,435 stores on three continents as well as branded coffee paraphernalia, music, and candy.

To see just how much—and how fast—a mismanaged brand can lose value, take a look at No. 8-ranked Ford. Everyone knows that Ford Motor Co. has had a tough year. Between the Firestone tire fiasco and a series of embarrassing quality gaffes, little has gone right for the Detroit carmaker. Investors certainly have been hurt: First-half earnings from continuing operations are down 91% from a year ago. But what does the blow to Ford's reputation really cost? When a brand is tarnished, its power to attract customers and command top prices diminish-

Losers

Amazon and Yahoo! lost brand clout when the dot-com bubble burst. Xerox did itself in with turbulence in the executive suite, while Ford got run over by the Firestone tire controversy.

RANK	BRAND	2001 BRAND VALUE (\$BILLIONS)	2000 BRAND VALUE (\$BILLIONS)	% CHANGE
45	XEROX	6.0	9.7	-38
76	AMAZON.COM	3.1	4.5	-31
59	YAHOO!	4.4	6.3	-31
62	DURACELL	4.1	5.9	-30
8	FORD	30.1	36.4	-17

Data: Interbrand, Citigroup

es—and so its value drops. That's what the numbers show for Ford. By Interbrand's calculations, the carmaker's name is worth \$30.1 billion today—\$6.3 billion less than last year.

SEA CHANGE. Numbers such as these make it clear why companies in all industries are suddenly becoming more vigilant brand stewards. Branding used to be practiced by companies that sold packaged goods to consumers—and almost no one else. Developing a brand included advertising, package design, and maybe a few promotions and was seen as far less central to the corporate mission than serious stuff such as floating debentures, quickening inventory turns, or boosting capacity utilization.

That was in a different millennium.

As the new one unfolds, brands have been taking center stage

APR. 2, 1993 Philip Morris takes decisive action against discount cigarettes that are stealing share from mighty Marlboro by slashing prices 20%. Other premium makers are forced to follow, and consumer-goods stocks tumble amid fears that brands are losing clout. Suddenly, "brand management" becomes part of every manager's vocabulary.



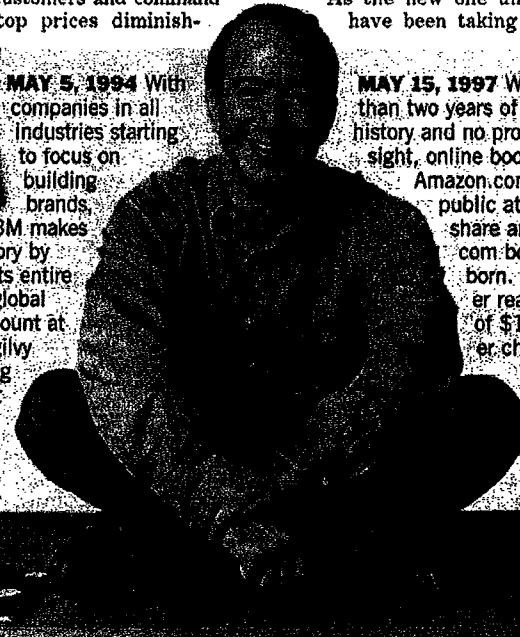
marketing history by consolidating its entire \$400 million global advertising account at one agency, Ogilvy & Mather, citing the need to get maximum leverage from its marketing efforts.



MAY 5, 1994 With companies in all industries starting to focus on building brands,

IBM makes

MAY 15, 1997 With less than two years of operating history and no profits in sight, online bookseller Amazon.com goes public at \$18 a share and the dot-com boom is born. Shares later reach a high of \$106, forever changing our notion of what it takes to build a dominant brand.



in a sweeping shift that some compare to the wave of mass marketing that occurred in the years following World War II. Pharmaceutical companies, which have been liberated to promote their products directly to consumers, have been spending hundreds of millions to create entirely new brands such as Viagra and Claritin. Branding efforts in the financial services sector have taken off as that industry has consolidated and as federal legislation has knocked down the walls that used to separate banks from brokerage houses. Professional services companies such as Andersen Consulting, rebranded as Accenture, have realized that conveying a sense of trust and shared mission is as important as technical competence in winning multimillion-dollar contracts. Universities, government agencies, entertainment properties, and even individuals—Michael Jordan, Martha Stewart, Madonna—have come to be regarded as brands: Their names stand for an implicit promise of quality, innovation, or reliability.

ON A MISSION. That's why executives who earned their stripes at consumer-goods powerhouses such as Procter & Gamble and PepsiCo Inc. are suddenly turning up in the top ranks of companies that have nothing to do with detergent or snack foods. Back in 1994, General Motors Corp. was one of the first when it turned to Ronald L. Zarela, former president of Bausch & Lomb Inc., to teach it brand management. Citigroup, on the way to building Citibank into the 18th-ranked brand on our list, recruited a slew of marketing professionals from H.J. Heinz, Philip Mor-

Special Report

ris, and other consumer-products companies.

Why do companies that sell to other businesses, rather than directly to consumers, need to manage their brands? For the same reason that Coke and P&G do: to give themselves a leg up in the marketplace. Just look what it did for No. 3-ranked IBM. Branding played a huge role in the computer maker's remarkable reinvention in the 1990s under Chairman Louis V. Gerstner Jr. One of Gerstner's first moves was to

Best in Class

How some big brands stack up in two industries

AUTOMOTIVE

RANK	BRAND	PERCENT CHANGE IN BRAND VALUE
8	FORD	-17
12	MERCEDES	3
14	TOYOTA	-1
21	HONDA	-4
22	BMW	7
35	VOLKSWAGEN	-6
46	HARLEY-DAVIDSON	NA

Data: Interbrand, Citigroup

TECHNOLOGY

RANK	BRAND	PERCENT CHANGE IN BRAND VALUE
3	IBM	-1
6	INTEL	-11
15	HEWLETT-PACKARD	-13
16	CISCO	-14
24	COMPAQ	-15
32	DELL	-13
49	APPLE	-17
64	TEXAS INSTRUMENTS	NA

bring in a marketing czar steeped in branding, Abby Kohnstamm, his longtime associate at American Express Co. Together, Gerstner and Kohnstamm reasserted the primacy of the brand in an organization that had degenerated into warring product groups. In a move that shocked Madison Avenue, Kohnstamm in 1994 consolidated all of Big Blue's advertising at a single agency, Ogilvy & Mather Worldwide Inc. Her goal was to give the far-flung company a unified and consistent message across all its products, services, and geographic markets.

After it took over, Ogilvy positioned IBM as a wise partner that could guide companies through their transformation into nimble, Net-savvy players. When Internet mania was in full swing, IBM's slice-of-life ads lampooned the excesses of Web culture. And when the dot-coms imploded, IBM was well positioned as "a voice of reason—not about hype, but about steering a clear course," according to Maureen McGuire, IBM's vice-

president for integrated marketing communications worldwide. Not surprisingly, in a year in which most technology brands took a bath in terms of their valuation, IBM held nearly steady, at \$53 billion.

For technology marketers, IBM has become the model. Witness German software giant SAP, a brand that came in at No. 43 in our ranking. A massive but muddled advertising campaign in 1999 had left employees just as confused as customers about what the company's brand stood for. SAP hired a marketing veteran from Sony Corp., Martin Hom-

COMMENTARY

By Neil Gross

VALUING 'INTANGIBLES': A TOUGH JOB, BUT IT HAS TO BE DONE

As any business-school prof can tell you, the value of companies has been shifting from tangible assets—the bricks and mortar—to intangible assets, such as patents, customer lists, and brands. These are the keys to shareholder value in a knowledge economy, but our accounting system does little to acknowledge the shift. You won't find balance-sheet entries for those assets except in rare cases, even though at some companies they may account for the bulk of overall value. For example, at Apple Computer, No. 49 in our rankings, brand value equals a huge 80% of market capitalization.

Ignoring those intangible assets may have been fine 80 years ago; not anymore. Investors need a sense of the assets' value and whether expenses to support them—such as advertising—are really productive. If accounting can't

take stock of that, boards can't allocate capital intelligently, analysts can't evaluate the companies they cover, and investors can't get a fix on the market. "You end up with the blind leading the blind and being evaluated by the blind," says Jonathan D. Low, senior fellow at Cap Gemini Ernst & Young.

NEW RULES. Now, after years of dithering, architects of accounting rules are finally taking the first steps on the road. It's a start, but more needs to be done. In June, the Financial Accounting Standards Board issued rules for how companies record assets in a merger. The rules, effective for most companies next Jan. 1, mean that when businesses acquire others using standard accounting, they will no longer have to amortize goodwill. That makes sense, because most of those assets don't really depreciate. You don't wear out research or run out of brand power—at least most of the time.



lish, to orchestrate its next moves. "It became clear to us that technology marketing is not just talking about your technology," says Hasso Plattner, SAP's co-CEO. "You need a clear message."

When Homlish arrived at SAP as chief marketing officer, he and the seasoned marketing executives that he recruited first set about establishing a coherent message for the company. "The first mission was to have a mission," says Susan Popper, senior vice-president for global advertising and an ad-agency veteran. "We had to move from a product-driven to a brand-driven culture."

Homlish insisted that all the company's product names, logos, brochures, and Web pages have a consistent look: "speaking SAPanese," he calls it. To make that easier to accomplish, he borrowed a page directly out of the IBM playbook and consolidated all global advertising at Ogilvy & Mather. So far, the marketing pros seem to be succeeding: SAP was that rare phenomenon—a technology company with a brand that



SAMSUNG When the maker of electronic gear headed upmarket, it dropped Wal-Mart with a clang: The mass-market chain clashed with the premium image it sought

actually increased in value over the past year, posting a 3% gain.

A strong brand not only helps customers understand an organization but it also imparts a sense of mission inside the company. Since employees embody the brand to consumers, it's vital that they understand and embrace brand values. "If they can't articulate to the outside world what the brand is all about, then who can?" says Shelly Lazarus, chairman of Ogilvy & Mather, whose clients, in addition to IBM and SAP, include American Express and Ford, both in the top 20 in our brand ranking. "Once an enterprise understands what the brand is

all about, it gives direction to the whole enterprise. You know what products you're supposed to

make and not make. You know how you're supposed to answer your telephone. You know how you're supposed to package things. It gives a set of principles to an entire enterprise."

UPWARDLY MOBILE? When managers have a clearly articulated sense of the brand, it can also help to guide basic strategy. When Boeing, No. 63 in our ranking, thought about expanding into areas beyond its core aircraft operations, top executives thought carefully about what, exactly, the Boeing brand stood for. Once the organization defined itself as a global aerospace-technology company instead of just an airplane builder, moving into satellites and aircraft services became easy decisions.

Likewise, a strong commitment to its brand strategy helped Samsung Electronics Co., whose Samsung brand ranked No. 42 on our list, make the tough decision to ditch Wal-Mart Stores Inc. as a major retailer of its products. Sam-

Sometimes, however, those assets can be damaged, and the new rules require companies to recognize that. If your assets become impaired—say, your biggest brand suffers a massive safety recall—then you must account for the damage. To do so, companies will have to assign a value to

the intangibles. Crusaders for accounting reform who care about knowledge assets applaud this outcome. "The idea that you will identify acquired intangibles and periodically measure what they are worth—this is definitely a move in the right direction," says Baruch Lev, accounting professor at the Stern School of Business and author of *Intangibles: Management, Measurement and Reporting*.

So why not go a step further and require companies to account for intangibles on the balance sheet all the time,

regardless of whether or not there's a purchase? After all, in places such as Britain and Australia, companies

already must, at times, report brand valuations on the balance sheet. **VOODOO ACCOUNTING?** First of all, get real. It took the conservative FASB 30 years to make the latest set of changes. A quick, radical overhaul simply isn't in the cards. And that may not be the solution, anyway. When it comes to brands

APPLE Investors are left in the dark about how much that single word—with its branding clout—is actually worth

and other intangibles, says FASB Research Director Timothy S. Lucas, "there are very significant measurement and definition problems." Even the reformers seem content to go slow. "To get into the financial statements, information should be reliable," says Paul B.W. Miller, a professor of accounting at the University of Colorado and a longtime FASB watcher and critic. The biggest problem? Valuing intangibles, even using the most rigorous methodology, calls for subjective judgments—something accountants abhor.

There are, however, other ways to balance the need to track the value of intangible assets and the need for easily verifiable financial statements. Simply report the value of the intangible assets elsewhere in the financials—for example, in the footnotes. That way, investors would have at least some sense of whether their investment was gaining or losing value. Intentionally or not, FASB has put the need to value intangible assets front and center. *BusinessWeek's* new brand ranking will provide good grist for the whole debate.

Senior Editor Gross writes about research, patents, and other intangibles.



sung, which gained 22% in brand value last year, is trying to move up the value chain. Selling Samsung products at Wal-Mart made sense back when the South Korean electronics company aspired to churning out low-end electronic gadgets. Now, however, the company is attempting to move into more innovative, higher-margin items, such as voice-activated mobile phones that double as digital music players and personal digital assistants. Those are products that many consumers may be trying for the first time, thus giving a new brand like Samsung a big opportunity. "That transition and our strategy to move upmarket very aggressively are the main reasons why our brand improved rapidly," says Eric Kim, Samsung's marketing chief. Having its products appear in a mass-market discount store such as Wal-Mart hampered Samsung's attempts to build a premium image.

Samsung has good reason to worry about protecting and enhancing its brand integrity. Companies that don't do so run the risk of seeing their brands degenerate into mere commodities that



BOEING Expanding beyond aircraft itself as a global aerospace-technology

customers shop for strictly on the basis of price. That drift can lop off millions in brand value and market capitalization, sometimes with astonishing speed. Philip Morris Cos. found that out back in 1993 when it slashed the price of its flagship Marlboro cigarette brand on what came to be known as Marlboro Friday.

That tacit acknowledgement that the rise of discount brands was burning into Marlboro's market share led investors to fear that the big brands were losing their pricing clout. The result: an immediate plunge in stock prices for consumer-goods companies across the board. The episode "really raised the bar on accountability," recalls Jan Lindemann, global director for brand valuation at Interbrand. "It was the point at which marketing directors and brand managers realized that what they did had a direct effect on shareholder value. Marketing departments had to recognize that brands and brand managers were

going to be held more accountable."

Marlboro Friday turned out to be a wake-up call, not a death knell for big brands. At many companies, the soul-searching that followed ushered in a period of increased marketing budgets, stepped-up product innovation, and experiments with more compelling ways to reach consumers. Companies have learned the importance of the customer experience. They're scrutinizing every customer contact and every activity, from call centers to the way the company's trucks are painted to the selection of magazines in the lobby, to make sure they are in sync with the core values of the brand.

PERKING MERRILY. Perhaps no brand has done a better job of that than Starbucks. In 20 years, the Seattle company has grown from 18 coffee shops to 4,435. Over that entire period, it has spent maybe \$20 million on traditional advertising, a pittance next to the \$30 million that Pampers, ranked below it at No. 92, spent just last year. Instead, Starbucks plowed potential ad money into employee benefits. It was one of the first companies to offer part-timers stock op-

ILLUSTRATION BY ARON GOODMAN, STEPHEN KENNEDY
WITH ORIGINAL PHOTOGRAPHY BY BRAND ALIEN

COMMENTARY

By Gerry Khermouch

WHY ADVERTISING MATTERS MORE THAN EVER

How much does advertising matter? That's the question that marketers are asking themselves as the worldwide economy slows and budgets tighten. When times are good, the corporate commitment to long-range brand-building knows few bounds. But when profits drop, the ad budgets become an irresistible target

a list of features or a logo or an advertising tag line but as a relationship with the consumer. And just as one's friendships need to be kept in good repair, customer relationships can be maintained only through consistency. The marketing budget pays for much of that needed face time.

So what's the ad-spending outlook like this time? Certainly, ad agencies and media sales staffs have been doing their best to remind advertisers that history has a way of repeating itself. They point to the last downturn, in the early 1990s, when private-label products leaped to prominence while packaged-goods marketers slashed their budgets. And while it's not definitive, some research suggests that the best way to gain share is to sustain your spending during a downturn as your rivals are cutting back. That's how cereal maker Kellogg leapfrogged C.W. Post during the Depression, and how Pizza Hut and

Taco Bell grabbed share from McDonald's during the early 1990s' dip. "Smart companies look to these environments when other people go darker, to advance their proposition," says Donald R. Uzzl, senior vice-president of global advertising, marketing, and communications for information-systems company Electronic Data Systems.

SLOW SPRING. That sounds logical, but lots of companies take the short view. With unrelenting pressure from Wall Street to hit their earnings forecasts, it's not hard to see why. Cutting back on ad spending for a quarter or two seems like an easy way to make the numbers. Some, including Delta Air Lines Inc. and General Motors Corp., reacted quickly to slowing growth earlier this year by slashing marketing budgets. Overall, U.S. spending for the first four months of 2001 dropped 5.7% from last year, according to ad tracker Competitive Media Reporting. And in this spring's so-called up-front market,

Special Report



for the budget-slashers.

It's dangerous, though, to give in to that temptation. "People who starve their brands now will be paying for it in the future," warns Kevin Lane Keller, marketing professor at Dartmouth University's Amos Tuck School of Business. After all, in an era of wide consumer choice among roughly comparable products, marketers have learned to think of their brands not so much as

meant a brand revamp. After Boeing redefined company, moving into new fields became easier

tions and health benefits. Why? Because for the Starbucks brand, the experience the consumer has in the store is crucial. A disgruntled employee or dirty restroom would break the pact Starbucks has with its customers. "If we want to exceed the trust of our customers, then we first have to build trust with our people," says Howard Schultz, Starbucks' chairman. "Brand has to start with the culture and naturally extend to our customers."

Employee benefits as a marketing tool? Why not, if that's what the brand requires. Besides, conventional advertising is no sure thing. As the dot-com bubble proved, massive advertising is not the same as brand-building. At the height of the boom, startups spent tens of millions of investor dollars familiarizing Web users with such new brands as outpost.com, eToys, and Pets.com. In the end, too many of the dot-com ads never got around to telling consumers what the brands

stood for—or even what products or services the company offered. Now, many of those names are disappearing, along with the sock puppets and airborne gerbils that were their mascots.

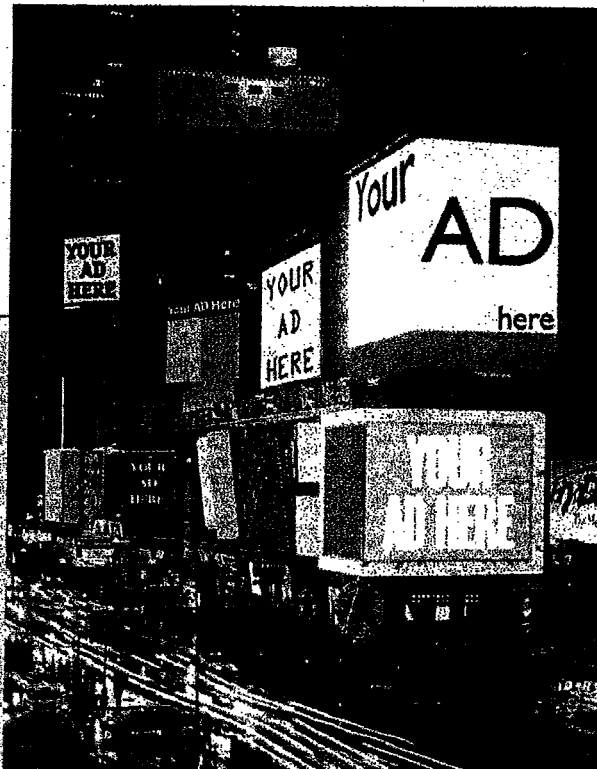
Brand gurus predict that demands on brands will only increase in the coming decades. The 72 million members of Generation Y, who are now reaching their mid-20s, have exhibited the most social activism since the baby boomers in the 1960s. They are likely to base much of their consumption on the values they ascribe to the companies providing goods and services, predicts brand con-

sultant Marc Gobé, author of *Emotional Branding: The New Paradigm for Connecting Brands to People*. This means that companies will have to make a far greater effort to ensure that the values communicated to consumers are consistent with its internal values. If it is not, they will be exposed. "You can fool some of the people some of the time—until they have a bad experience with your brand," warns David F. D'Alessandro, CEO of John Hancock Financial Services Inc. and author of *Brand Warfare: 10 Rules for Building the Killer Brand*. Those that make good on their promises, though, will be rewarded with a more loyal consumer base—and a brand that steadily grows in value. As managers are learning, a brand is not just an abstract concept. It's a treasured corporate asset.

By Gerry Khermouch in New York, with Stanley Holmes in Seattle and Moon Ihtwan in Seoul

BusinessWeek online

For an online version of this report, which includes an interactive brands scoreboard, additional stories, and interviews, go to www.businessweek.com/go/brand.



in which marketers and their media buyers dickered with TV networks over ad time for the coming programming year, bookings showed their first fall-off in more than a decade.

Still, most major ad-spending analysts are projecting at least a slim gain for 2001. Indeed, plenty of marketers are sticking with their ad plans. After scoring sales gains with yogurt in a tube and other new products in recent years, Dannon Co. in Danburytown, N.Y., is not about to fritter them away by slashing the budget now, vows Eric Lev, central vice-president of market-

ing. "Our spending behind me is certainly at an all-time high and will be increased next year," he says.

Marketers outside of traditional consumer goods have shown less willingness to support their brands. As a result, they risk losing their pricing power—and more important, their connection with their customers. Technology, which has led the downturn, is where marketers most need to stay the course. British customers need reassurance that the investments they have made

will pay off and that the supplier will be there to support them. Besides, those that cut back risk ceding ground to a few well-funded players eager to grab market share from weaker rivals. That's why third-ranked IBM, with a \$650 million media budget, is "absolutely going to stay the course," says Maureen McGuire, vice-president for integrated marketing communications. "Successful companies try to use the downturn to solidify their position and take some share. We see it

Will IBM and similar opportunists show the grit to maintain these commitments? As Dartmouth's Keller points out, marketers tamper with their core commitment to their brands at the gravest risk. Those who don't burnish their brands in the downturn may find their good names are worth a whole lot less when the tough times end.

Marketing Editor Khermouch writes about brands and advertising.

OPPORTUNITY

The ad slump offers major brands with their deep pockets a chance to snatch market share from rivals

as an opportunity." That kind of long-term thinking may well be one reason why IBM lost only 1% of brand value last year, compared with bigger declines at some other high-tech companies.

THE 100 TOP BRANDS

Our first ranking of the world's most valuable brands

The table that follows ranks 100 global brands that have a value greater than \$1 billion. The brands were selected according to two criteria. They had to be global in nature, deriving 20% or more of sales from outside their home country. There also had to be publicly available marketing and financial data on which to base the valuation. That excluded some big

opinion polls or ad expenditures. *BusinessWeek* selected Interbrand's method because it values brands the same way analysts value other assets: on the basis of how much they're likely to earn going forward. Those future earnings are then discounted to a present value based on how risky the earnings are, that is, the likelihood that they will actually materialize.

To start the process, Interbrand first figures out what percentage of overall revenues are accounted for by the brand.

Next, with the help of analysts from Citigroup, Interbrand projects the net earnings for that segment of the business. Interbrand then deducts a charge for the cost of owning the tangible assets, on the theory that whatever income is generated beyond that cost is due to intangible factors. This is the economic value added by such intangibles as patents, customer lists, and, of course, the brand.

The next step is to winnow the earnings generated by the brand from the earnings generated by other intangibles. For example, are people buying Shell gas because of the brand name or because the gas station is conveniently located? Interbrand uses market research and interviews with industry executives to sift through those variables.

The third and final phase is to analyze the strength of the brand in order to figure out how risky those future brand earnings are. To calculate the brand's strength, Interbrand looks at seven factors, including the brand's market leadership, its stability, and its ability to cross geographical and cultural borders. The risk analysis produces a discount rate which is applied to the brand earnings to come up with a net present value of the brand. *BusinessWeek* and Interbrand believe that this figure comes closest to representing the true economic value of that complex array of forces that make up a brand.

Special Report



brands, such as Visa, BBC, Mars, and CNN. The table of individual brands is followed by a table of leading brand portfolios, since some companies create significant brand value by managing a group of brands. Procter & Gamble, for example, owns Pampers, Crest, and Tide.

There are many ways to rank brands. Some rankings rely on little more than

The Global Brand Scoreboard

RANK	2001 BRAND VALUE \$BILLIONS	2000 BRAND VALUE \$BILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
1 COCA-COLA	68.96	72.54	-5	U.S.	Coke is still No. 1, but can it hang on to the top spot?
2 MICROSOFT	65.07	70.20	-7	U.S.	Microsoft is unleashing its biggest product wave ever, topped by Windows XP.
3 IBM	52.75	53.18	-1	U.S.	Despite the tech slump, Big Blue's hefty marketing budget is keeping the company front and center.
4 GE	42.40	38.13	11	U.S.	The Teflon brand? Not even Jack Welch's announced exit could dent the value.
5 NOKIA	35.04	38.53	-9	Finland	The company that gave phones panache wants to do the same for other mobile gadgets.
6 INTEL	34.67	39.05	-11	U.S.	"Intel Inside" ads lifted the chipmaker to the top, but slumping PC sales and price wars make it a struggle to stay there.
7 DISNEY	32.59	33.55	-3	U.S.	Despite new theme parks, Mickey struggles to rise above mediocre movies, bad stores, and fresh competition.
8 FORD	30.09	36.37	-17	U.S.	The Firestone fiasco and other quality gaffes hit the No. 2 carmaker.
9 MCDONALD'S	25.29	27.86	-9	U.S.	Europe's meat hysteria takes a bite out of Big Mac. Nonvegetarian fries didn't help, either.
10 AT&T	22.83	25.55	-11	U.S.	AT&T has the most powerful brand in telecom, but it's losing market share.

Data: Interbrand, Citigroup, *BusinessWeek*

RANK	2001 BRAND VALUE \$BILLIONS	2000 BRAND VALUE \$BILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION	
11	WALMART	22.05	22.11	0	U.S.	Outsells all of R.J. Reynolds' major tobacco brands combined. Who needs ads anyway?
12	MERCEDES	21.73	21.11	3	Germany	Owens the market for luxury sedans, but moving downmarket is proving troublesome.
13	CITIBANK	19.01	18.81	1	U.S.	World's biggest bank. The sun never sets on Sandy Weill's ever-expanding empire.
14	TOYOTA	18.58	18.82	-1	Japan	Look out, Detroit—this maker of trusty sedans is roving up new SUVs and pickup trucks.
15	HEWLETT-PACKARD	17.98	20.57	-13	U.S.	HP needs to improve its performance—and branding—in high-end corporate computing.
16	CISCO SYSTEMS	17.21	20.07	-14	U.S.	Suddenly, "empowering the Internet generation" doesn't mean 60% sales-growth rates.
17	AMERICAN EXPRESS	16.92	16.12	5	U.S.	In play? AmEx' rivals covet the card so much, they may try to buy the whole company.
18	BILLETTE	15.90	17.36	-12	U.S.	New CEO looking for next big thing; old formula of high-priced innovation doesn't cut it anymore.
19	MERRILL LYNCH	15.02	NA	NA	U.S.	Never mind the down markets: Being the largest retail brokerage keeps Main Street in love with the bull.
20	SONY	15.01	16.41	-9	Japan	The best-known brand in consumer electronics, Sony is still the name to beat.
21	HONDA	14.64	15.25	-4	Japan	Hits like the Odyssey minivan make it big in the U.S. and Japan, but it's caught in a rut in Europe.
22	BMW	13.86	12.97	7	Germany	Thriving after cutting Rover unit loose. The lesson: Stick to what you do best.
23	NESCAFE	13.25	13.68	-3	Switzerland	In some countries, the name has become synonymous with instant coffee.
24	COMPAQ	12.95	14.60	-15	U.S.	Handing the PC crown to Dell was hard. Remaking itself in IBM's image may prove even harder.
25	ORACLE	12.22	NA	NA	U.S.	This Internet bellwether sank when the bubble burst, but long term, its prospects are rock-solid.
26	BUDWEISER	10.84	10.69	1	U.S.	Relentless and innovative marketing keeps consumers saying "Whassup?" to the world's largest brewer.
27	KODAK	10.80	11.82	-9	U.S.	A weaker economy means fewer snapshots, and digital imaging isn't picking up the slack fast enough.
28	MERCK	9.67	NA	NA	U.S.	A top-flight research and development operation continues to produce breakthrough drugs.
29	NINTENDO	9.46	NA	NA	Japan	Nintendo is preparing to battle Sony and Microsoft with new game console this fall.
30	PFIZER	8.95	NA	NA	U.S.	Its marketing operation is the best in the business. Plus it has a roster of blockbuster products.
31	LEVI'S	8.75	9.32	-6	U.S.	Once the king of khakis, it's still struggling to find the next fashion winners.
32	DELL	8.27	9.48	-13	U.S.	Slashing prices and costs has made Michael Dell king of computers, but he needs to move his company beyond the box.
33	GOLDMAN SACHS	7.86	NA	NA	U.S.	The Goldman mystique still reigns. No. 1 in global IPOs and No. 1 in M&A.
34	NIKE	7.59	8.02	-5	U.S.	Athletic-gear giant takes a beating from labor activists but kicks competition with pull-on sneakers.
35	VOLKSWAGEN	7.34	7.83	-6	Germany	Still the People's Car, its engineering excellence makes it Europe's best-seller.
36	ERICSSON	7.07	7.81	-9	Sweden	Swedes are counting on a Sony joint venture to prop up struggling brand.
37	HEINZ	7.06	NA	NA	U.S.	The famously slow-pouring ketchup still rules. Now it comes in green, too.
38	LOUIS VUITTON	7.05	6.89	2	France	For those who like their status symbols in bold monograms, these are the handbags and luggage of choice.
39	KELLOGG'S	7.01	7.38	-5	U.S.	Its breakfast cereals are losing their snap, crackle, and pop, and new-product innovations have garnered a soggy response from consumers.
40	MTV	6.60	6.41	3	U.S.	The original music network is still tops with the teen crowd.
41	CANON	6.58	NA	NA	Japan	Not just a camera-maker anymore, Canon is big in digital copiers and desktop printers, too.
42	SAMSUNG	6.37	5.22	22	S. Korea	Seeking to move upmarket, Samsung ditched Wal-Mart for Best Buy.
43	SAP	6.51	6.14	3	Germany	It's now a top-tier software supplier for companies looking to turn themselves into e-businesses.
44	PEPSI	6.21	6.64	-6	U.S.	Pepsi's making headway in the cola wars in the U.S., but still lags well behind Coke overseas.

Data: Interbrand, Citigroup, BusinessWeek

RANK	2001 BRAND VALUE \$BILLIONS	2000 BRAND VALUE \$BILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
45 XEROX	6.02	9.70	-38	U.S.	Competitive struggles, questionable accounting, management turmoil. What didn't go wrong?
46 IKEA	6.01	6.03	0	Sweden	Its growth is proving that cheap chic is an international movement.
47 PIZZA HUT	5.98	NA	NA	U.S.	After serving with Big New Yorker and Starbuck Court, Tricon unit looks for next fire to get same store sales going again.
48 HARLEY-DAVIDSON	5.53	NA	NA	U.S.	The leader of the pack powers down the highway. Now it needs to get younger riders to climb aboard.
49 APPLE	5.46	6.59	-17	U.S.	Apple continues to churn out eye pleasing products but struggles to find takers beyond the core Mac faithful.
50 GUCCI	5.36	5.15	4	Italy	Glamorous clothes with just enough edge to keep fashionistas hooked.
51 MFC	5.26	NA	NA	U.S.	King of tried-and-true takes risky branding tack by teaming up with selling sister, Best Buy, at some locations.
52 REUTERS	5.24	4.88	7	Britain	On the eve of its 150th anniversary, the British news service has new leadership, partnerships, and a consumer push.
53 SUN MICROSYSTEMS	5.15	NA	NA	U.S.	While the server market soared during the Net bubble, being "the dot" dot.com isn't what it used to be.
54 KLEENEX	5.09	5.14	-1	U.S.	Facial-tissue inventor moves beyond mere sniffles to menthol, three-ply, and other deluxe versions.
55 PHILIPS	4.90	5.48	-11	Netherlands	Stellar consumer brand in Europe, but lags in U.S., where it's often confused with producer of stomach medicine.
56 COLGATE	4.57	4.42	3	U.S.	Total toothpaste helps this oral-care brand extract market share.
57 WRIGLEY'S	4.53	4.32	5	U.S.	Who hasn't chewed through a pack? Now there's Wrigley's untold gum and breath mints, too.
58 AOL	4.50	4.53	-1	U.S.	Makes money, and partnerships with new AOL Time Warner sibling brands could spur next growth spurt.
59 YAHOO!	4.38	6.30	-31	U.S.	With its marketing dollars getting tighter, this online giant's brand may have seen its best days.
60 AVON	4.37	NA	NA	U.S.	The Avon Lady wants to sell more than just makeup, and not just door-to-door.
61 CHANEL	4.27	4.14	3	France	The classic styles of founder Coco Chanel have been discreetly updated—her trademark pearls haven't.
62 DURACELL	4.14	6.89	-30	U.S.	It scored with its premium-priced Duracell Ultra, but got eaten alive in the mass market.
63 BOEING	4.06	NA	NA	U.S.	A branding effort—and headquarters shift—aims to create broader image for aerospace behemoth.
64 TEXAS INSTRUMENTS	4.04	NA	NA	U.S.	TI chips power 60% of the world's cell phones, but Intel wants inside wireless devices of the future.
65 KRAFT	4.03	NA	NA	U.S.	Managed to make even processed cheese more convenient to eat.
66 MOTOROLA	3.76	4.45	-15	U.S.	Cumbersome, pricey phones didn't click with consumers. Now it's playing catch-up.
67 LEVI'S	3.75	NA	NA	U.S.	Once an icon of individuality and youthful rebellion, these jeans are now as tame as hobby socks and saddle shoes.
68 TIME	3.72	NA	NA	U.S.	Will new corporate parent AOL give the venerable weekly a boost?
69 ROLEX	3.70	3.66	4	Switzerland	The watches are known for their precision under stress. No wonder so many executives wear them.
70 ADIDAS	3.65	3.79	-4	Germany	It still has some street appeal, but the spring and summer apparel collections were a bust in the U.S.
71 HERTZ	3.62	3.44	5	U.S.	A strong travel market put Hertz in the fast lane last year, though traffic has slowed lately.
72 PANASONIC	3.49	3.73	-7	Japan	While Sony and Samsung go upscale with electronics, Panasonic increasingly competes with low-priced Chinese models.
73 TIFFANY	3.48	NA	NA	U.S.	The jeweler has such a powerful aura that even the trademark robin's-egg blue boxes are status symbols.
74 BP	3.25	3.07	6	Britain	CEO John Browne's flurry of acquisitions has made once-stodgy BP into a top oil brand.
75 BACARDI	3.20	3.19	1	Bermuda	Trademark battle hasn't stopped this rum giant from selling more than 20 million cases a year.
76 AMAZON.COM	3.13	4.53	-31	U.S.	The biggest challenge: convincing book and CD customers. It's also the place to buy grills and cameras.
77 SHELL	2.84	2.79	2	Brit/Neth.	Makes gains in cleaning up an image tarnished by environmental problems and mediocre performance.

Data: Interbrand, Citigroup, BusinessWeek

RANK	2001 BRAND VALUE \$BILLIONS	2000 BRAND VALUE \$BILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
71. SHELL	2.59	2.59	0	Britain	Extends the Shell brand to a new life to a new brand.
79. MOET & CHANDON	2.43	2.80	-12	France	Still bubbly, but the French champagne maker shows signs of a post-millennial hangover.
80. BARNES & NOBLE	2.41	2.70	-10	U.S.	Company franchisees seek a merger to shore up their toll on this troubled brand.
81. MOBIL	2.42	NA	NA	U.S.	1999 merger with the Exxon tiger has made the brand stronger than ever.
82. BEN&JERRY'S	2.27	2.22	2	Netherlands	Even prices have failed to dampen enthusiasm for the most global of cow brands.
83. WALL STREET JOURNAL	2.18	2.19	0	U.S.	A tough economic environment and dull year for the Dow doesn't help this investor's bible.
84. MARTE	2.04	2.32	-12	U.S.	Marta's famous doll is hoping to prove that movies will give her new life.
85. POLO/RALPH LAUREN	1.91	1.83	-4	U.S.	The ultimate aspirational brand. You can buy everything from Polo ties to towels now.
86. FEDEX	1.89	NA	NA	U.S.	Can the power of overnight delivery deliver a wealthy counterpunch to UPS' competitive threat?
87. NIVEA	1.78	NA	NA	Germany	Owner Beiersdorf gives the 90-year-old cream a new wrinkle with products for men.
88. STARBUCKS	1.76	1.38	22	U.S.	Shows the biggest jump in brand value as it keeps expanding its coffee empire into every nook and cranny.
89. JOHNNIE WALKER	1.65	1.54	7	Britain	The Scotch king has a new "Keep Walking" campaign to create more buzz and attract younger drinkers.
90. JACK DANIELS	1.58	1.49	6	U.S.	Smoky, fiery, 84th anniversary. Marketing approach endears the Tennessee apple whiskey to an expanding herd of loyalists.
91. ARMANI	1.49	1.45	2	Italy	The minimalist of the fashion world—for those who don't want to wear their money on their sleeves.
92. PAMPERS	1.41	1.40	1	U.S.	Procter & Gamble's diaper line moves into disposable pants to boost its women line.
93. ABSOLUT	1.38	NA	NA	Sweden	So recognized that even the bottle shape has become part of the brand.
94. GUINNESS	1.26	1.23	2	Britain	At the top of a 242-year-old brew sells more than 10 million pints worldwide each day.
95. FINANCIAL TIMES	1.31	1.15	14	Britain	Britain's business newspaper benefits from a push to win U.S. readers.
96. HILTON	1.24	1.45	-17	U.S.	Still the top name in lodging, but travelers are starting to check out other brands.
97. CARLSBERG	1.08	NA	NA	Denmark	Growing global investments help this Danish brewer raise its profile in new markets.
98. SIEMENS	1.03	NA	NA	Germany	Diversified engineering giant needs GE-style gumption to make brand more relevant.
99. SWATCH	1.00	NA	NA	Switzerland	Low prices and quirky, offbeat designs make it the Swiss anti-Rolux.
100. BENETTON	1.00	1.01	-1	Italy	Made a name for itself with controversial ads that promote tolerance. But does anyone still wear the clothes?

Data: Interbrand, Citigroup, BusinessWeek

The valuations of the brands draw upon publicly available information. Interbrand has not made its own independent investigation or research into the accuracy or completeness of the information. The valuations do not represent advice from Interbrand with respect to the suitability of the sale, licensing, or franchising or any commercial exploitation of the brands in any respect, or for the purpose of investment. In the companies in question. Nothing contained in the valuations should be relied upon as a promise or representation as to the future prospects of the brands or companies. Interbrand accepts no representations and warranties with respect to the valuations.

The Top Brand Portfolios

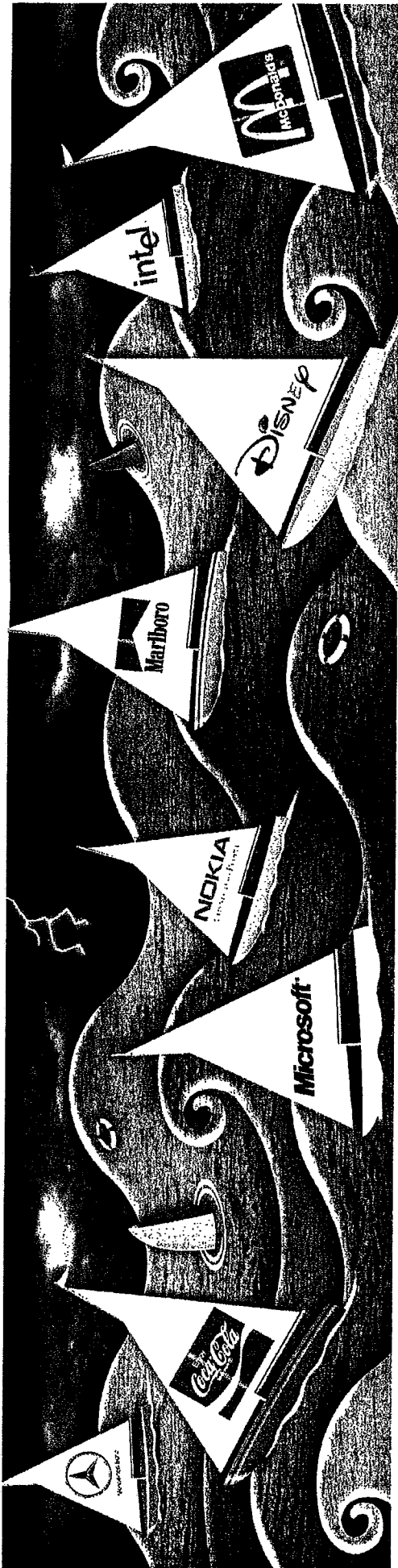
COMPANY	2001 BRAND \$BILLIONS	2000 BRAND \$BILLIONS	PERCENT CHANGE	COUNTRY
1. JOHNSON & JOHNSON	68.21	NA	NA	U.S.
2. P&G	45.44	48.35	-6	U.S.
3. NESTLE	41.69	40.25	4	Switzerland
4. UNILEVER	37.85	37.10	2	Brit/Neth.
5. L'OREAL	17.80	NA	NA	France
6. DIABLO	15.00	14.56	3	Brit/Neth.
7. COLGATE-PALMOLIVE	14.36	13.64	5	U.S.
8. DANONE	13.58	NA	NA	France

Data: Interbrand, Citigroup, BusinessWeek

Founded in 1974, Interbrand serves the world with 34 offices in 22 countries. Working in close partnership with our clients we combine the rigorous strategy and analysis of brand consulting with world-class design and creativity.

We offer a range of services including research, strategy, naming and verbal identity, corporate identity, package design, retail design, internal brand communications, corporate reporting, digital branding tools, integrated marketing services, and brand valuation.

We enable our clients to achieve greater success by helping them to create and manage brand value.



THE BEST GLOBAL BRANDS

BusinessWeek and **INTERBRAND** tell you what they're worth

Wireless phones. Consumer electronics. Memory chips. Could you pick three tougher lines of business to be in right now? Somehow, with just such a portfolio, Samsung Electronics Co. managed to more than double its profits in the most recent quarter, to \$1.6 billion.

How? Once a humdrum manufacturer of commodity electronics largely sold under other companies' names, South Korea-based Samsung is reaping the rewards of moving aggressively into higher-end products that carry fatter profit margins. It has invested heavily to produce cutting-edge designs, from flat-panel TV monitors that can be hung on walls like paintings to

can be hung on walls like paintings to player. The company moved up the memory-chip price chain to sell more devices to video game makers. And it became the No. 3 producer of cell phones, with a premium-priced line that includes handsets with color screens.

But just as critical as the turnover in product was the facelift Samsung gave its brand. Last year, it took a first stab at creating a new image with visually arresting ads such as

one that posed an impossibly stylish woman in blue makeup, yellow nail polish, and ostrich feathers next to one of its TV monitors. This year, it plans to spend \$200 million on ads focused on the company's promise to provide a "Digital Experience." That's an attempt to drive home the link between Samsung's new upscale image and the lifestyle its customers crave, says Eric B. Kim, executive vice-president for global marketing operations. Says Kim: "This is our first attempt to be at the leading edge rather than being a follower."

Now more than ever, companies see the power of a strong brand. At a time when battered investors, customers, and employees are questioning whom

they can trust, the ability of a familiar brand to deliver proven value flows straight to the bottom line. If shaken by the plummeting stock market and concerned about the security of their jobs, consumers start cutting back on spending, they're more likely to stick with names they know they can rely on. "When a brand earns our trust, we not only repeat our purchases, but we also tell all of our friends about it," says David Martin, U.S. president of New York-based In-

terbrand Corp., a pioneering brand consultant that teamed up with *BusinessWeek* to create our second annual ranking of the most valuable global brands.

Brands usually aren't listed on corporate balance sheets, but they can go further in determining a company's success than a new factory or technological breakthrough. That's because nurturing a strong brand, even in bad times, can allow companies to command premium prices. Purveyors of products ranging from Budweiser beer to raw cars have been able to keep growing without succumbing to the pricing pressures of an intensely promotional environment. A strong brand also can open the door when growth depends on breaking into new markets. Starbucks Corp., among the fastest-growing brands, recently set up shop in Vienna, one of Europe's old capitals, and says 400 of its planned 1200 new store openings this year will be overseas.

To sort out which global brands are holding their ground and which are crumbling, Interbrand and *BusinessWeek* created a ranking of the top 100 by dollar value. The list by Interbrand, a unit of Omnicom Group Inc., is based on the idea that strong brands have the power to lift sales and earnings. Interbrand attempts to figure out how much of a boost each brand delivers, how stable that boost is likely to be, and how much those future earnings are worth today. The value that is assigned is strictly for the products with the brand on them, not for others sold by that company. Therefore, Coca-Cola Co.—the top brand again this year, with a value approaching \$70 billion—is ranked just on these products carrying the Coke name, not Sprite or Fawcett.

Because Interbrand relies on a rigorous analysis of cash flows rather than mere consumer perceptions to calculate brand values, changes in the business climate or a category's economic downturn can erode values even among companies that have resisted the temptation to cut marketing budgets, slash prices, or compromise on quality. In today's perilous eco-

nomic climate, it's no surprise, then, that 49 out of the 100 brands on our list—and 7 of the top 10—fell in value this year. That compares with 41 that dropped in value in our 2001 ranking. Some of the hardest-hit brands represent industries—telecommunications, finance, travel, and luxury goods—that have been badly-lambed by the downturn.

Take Boeing Co., whose ambitious brand-influencing efforts—from advertising to relocating its headquarters from Seattle to Chicago—helped put it on the list last year at \$4 billion. But September 11's devastating impact on air travel almost instantly put on hold airlines' plans to expand their fleets, causing Boeing's hard-won brand value to plunge 27% this year, to \$3 billion—a billion dollars of value wiped out.

Still, some companies compounded the problems of a down economy with management missteps. AT&T plunged 30% in value, losing its place among the top 10 brands. The company spent hundreds of millions on aggressive, youth-oriented ads and upgraded the range of licensed products that bear the AT&T name in order to shed its stodgy, Ma Bell image. But it didn't deliver enough exciting new products and services fast enough to sell customers on a "new" AT&T.

Amid the carnage, though, many companies found ways to add value to their brands. Samsung was easily the fastest-growing, its value rising an estimated 30% to \$8.3 billion. While Coke continues to struggle to get back its rhythm in the U.S., its sales are still growing in the developing world, buttressed by a strong

global marketing effort behind the World Cup. Thus, Coke eked out a 1% gain, adding \$700 million in brand value. Despite losing some highly publicized battles in the courtroom over its tobacco liability, Philip Morris Inc. saw its venerable Marlboro brand push into the Top 10, adding 10% to its value. The company used deep pockets to squeeze rival brands out of prime display positions in stores.

Other winners exploited their strong brands by launching extensions into new products and categories. Too often, new fla-

The World's 10 Most Valuable Brands

RANK	BRAND	2002 BRAND VALUE (\$BILLIONS)
1	COCA-COLA	69.6
2	MICROSOFT	64.1
3	IBM	51.2
4	GE	41.3
5	INTEL	30.9
6	NOKIA	30.0
7	DISNEY	29.3
8	MCDONALD'S	26.4
9	MARLBORO	24.2
10	MERCEDES	21.0

Data: Interbrand Corp., I.P. Morgan Chase & Co.

vors, formulations, and packages wind up as barren exercises in market positioning that clog retail shelf space while offering consumers nothing truly different. But this year's ranking offers proof that the right line extensions can make a difference. H.J. Heinz Co. boosted its brand value by 4% with ingenious ways of driving consumer interest in ketchup, from squeezable bottles to versions spiced up

with flavors such as Smokey Mesquite. Diageo PLC's once-tired Smirnoff vodka brand scored a 5% gain thanks to the success of a citrus-flavored, single-serve drink, Smirnoff Ice. Positioned as a sophisticated alternative to beer, Ice not only became a hit with younger consumers but also enticed them into giving a second glance to the core brand, which got a lift.

The Nivea skin-care line shows how to strengthen a brand by branching out. Beiersdorf went further than a line extension or two in garnering a 16% brand-value rise for its unit. Starting with women's skin-care products and a carefully nurtured image of wholesomeness and natural ingredients, Nivea has moved into men's products, including deodorants, shampoos, and even a moisturizer dispensed from an electric razor. Nivea has dozens of products today, vs. a handful five years ago. "They are a classic example of how far you can go

with brand extensions," says Jan Lindemann, Interbrand's global director for brand valuation.

Advertising, of course, is one of the most direct ways to build a brand. But the danger in tough times is that you advertise price breaks and wind up cheapening a brand. That's why Dell Computer Corp.'s ability to see a 12%

SAMSUNG Heavy investment in design R&D has brought fatter profit margins

Winners

Samsung used bold designs to transform itself into a premium seller of consumer products. Baby boomers, meanwhile, pay Harley top dollar for a dash of rebel independence.

RANK	BRAND	2002 BRAND VALUE (\$BILLIONS)	2001 BRAND VALUE (\$BILLIONS)	% CHANGE
34	SAMSUNG	8.3	6.4	+30
91	NIVEA	2.1	1.8	+16
46	HARLEY-DAVIDSON	6.3	5.5	+13
31	DELL	9.2	8.3	+12
93	STARBUCKS	2.0	1.8	+12

Data: Interbrand Corp., J.P. Morgan Chase & Co.

Losers

The telecom debacle cut the legs out from under Ericsson and AT&T. Boeing still hasn't recovered from September 11, and Merrill Lynch got mauled by the bear market.

RANK	BRAND	2002 BRAND VALUE (\$BILLIONS)	2001 BRAND VALUE (\$BILLIONS)	% CHANGE
71	ERICSSON	3.6	7.1	-49
11	FORD	20.4	30.1	-32
17	AT&T	16.1	22.8	-30
82	BOEING	3.0	4.1	-27
25	MERRILL LYNCH	11.2	15.0	-25

Data: Interbrand Corp., J.P. Morgan Chase & Co.

increase in brand value is so impressive. The PC maker gave its promotional ads an additional brand-building role. They feature an enthusiastic young character, "Steven," congratulating customers with "Dude, you're getting a Dell!"—driving home the point that customers can get exactly what they want at low prices. After years of making that point in a dry way, Steven brought "real personality to Dell," says Scott Helbing, the

DELL The enthusiastic "Steven" of recent ads helped boost the brand's value 12%

company's vice-president for global brand strategy.

But ads can take a brand only so far. And if their claims are not backed up by performance, the ads erode value. For that reason, employees are a crucial link to the consumer. If employees are motivated to reflect the core brand values in all their activities, that radiates out to customers, and on to friends and family. Such word-of-mouth endorsements—which in the Internet era can circle the globe instantly—can be far more convincing than any marketing campaign. Brand winners usually "have inculcated what's great about their companies up and down the organization," says Scott Bedbury, a former top marketer at Nike Inc. and Starbucks who now runs consultant Brandstream in Seattle.

Even the best corporate names are under attack these days. Still, those companies are reaping the benefits of years they spent building customer trust and honing images of quality and dependability. To weather an extended bout of distrust and instability, strong brands are crucial. Companies also will have to work doubly hard to keep them intact.

By Gerry Khermouch in New York

BusinessWeek online

For a video discussion of brand value and an interactive version of our scoreboard, go to the Aug. 5 edition online at www.businessweek.com



(BOTTOM) PHOTOGRAPH BY KI HO PARK/KISTONE

THE 100 TOP BRANDS

What's in a name? Plenty, if you play your cards right

It was a tough year to build a brand—or defend one against the corrosive effects of a bear market, financial scandals, and shifting consumer priorities. For proof, look no further than the fact that roughly half of the 100 global brands that Interbrand Corp. and *BusinessWeek* ranked this year fell in value compared with a year ago. In this environment, just holding your own is an accomplishment.

To qualify for our ranking, brands had to have a value greater than \$1 billion. They were selected according to two criteria: They had to be global in nature, deriving 20% or more of sales from outside their home country. They also had to have publicly available marketing and financial data on which to base the valuation. That excluded some big brands, such as Visa International, the BBC, and Mars.

How do you place a value on a brand? Some attempts rely on little more than opinion polls or ad spending. *BusinessWeek* selected Interbrand's method because it values brands the same way analysts value other assets: on the basis of how much they're likely to earn in the future. Those projected profits are then discounted to a present value based on how risky the projected earnings are—that is, the likelihood that they will in fact materialize.

To start the process, Interbrand first figures out what

percentage of overall revenues are accounted for by the power of the brand. Next, with the help of analysts from J.P. Morgan Chase & Co., Interbrand projects net earnings for that segment of the business. Interbrand then deducts a charge for the cost of owning the tangible assets, on the theory that whatever income is generated beyond that cost is due to intangible factors. This is the economic value added by things like patents, customer lists, and, of course, the brand.

The next step is to winnow the earnings generated by the brand from the earnings generated by other intangibles. For example, are people buying Shell gasoline because of the brand name or because the gas station is conveniently located? Interbrand uses market research and interviews with industry executives to sift through those variables.

The final phase is to analyze the strength of the brand to figure out how risky those future brand earnings are. To calculate the brand's strength, Interbrand looks at seven factors, including the brand's market leadership, its stability, and its ability to cross geographical and cultural borders. The risk analysis produces a discount rate that is applied to the brand earnings to come up with a net present value of the brand. *BusinessWeek* and Interbrand believe this figure comes closest to representing the true economic value of that complex array of forces that make up a brand.

Special Report

The Global Brand Scoreboard

RANK	2002 BRAND VALUE \$BILLIONS	2001 BRAND VALUE \$BILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
1 COCA-COLA	69.64	68.95	+1%	U.S.	Still the best brand by far. Growth in the developing world offset so-so new products like Diet Coke with Lemon.
2 MICROSOFT	64.09	65.07	-2	U.S.	Its name is still dragged through the courtroom, but the biggest challenge is stagnant PC purchases.
3 IBM	51.19	52.75	-3	U.S.	Good thing Big Blue was rebuilt on services, which remains the most promising segment for tech spending.
4 GE	41.31	42.40	-3	U.S.	The retirement of Jack Welch and angst over Corporate America took a toll on the GE name.
5 INTEL	30.86	34.67	-11	U.S.	"Intel Inside" put it on the map, but now the brand faces tough competition and sluggish PC sales.
6 NOKIA	29.97	35.04	-14	Finland	Still the cell-phone brand of choice among consumers, but overall sales of mobile handsets are weak.
7 DISNEY	29.26	32.59	-10	U.S.	Even monster hit <i>Monsters Inc.</i> couldn't compensate for a post-September 11 falloff at theme parks.
8 McDONALD'S	26.38	25.29	+4	U.S.	Who remembers Mad Cow disease? Global expansion continues as negative PR fades.
9 MARLBORO	24.15	22.05	+10	U.S.	The iconic brand uses line extensions and merchandising clout to overcome court challenges and skyrocketing price of cigs.

Data: Interbrand Corp., J.P. Morgan Chase & Co., *BusinessWeek*

The Global Brand Scoreboard

RANK	2002 BRAND VALUE \$BILLIONS	2001 BRAND VALUE \$BILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
10 MERCEDES	21.01	21.73	-3	Germany	The leading luxury car brand, but its low-end models suffered from poor reviews.
11 FORD	20.40	30.09	-32	U.S.	At least Ford admitted to pursuing strategies that were "poorly conceived or poorly timed." But where's the fix?
12 TOYOTA	19.45	18.58	+5	Japan	Cruising along after capturing broad mid-market appeal in the U.S., including new SUVs and pickups.
13 CITIBANK	18.07	19.01	-5	U.S.	A slowing U.S. economy and a hit from the Enron fiasco hurt both results and image.
14 HEWLETT-PACKARD	16.78	17.98	-7	U.S.	More and more, its printers are commodities. Bickering during the Compaq merger also didn't boost HP's image.
15 AMERICAN EXPRESS	16.29	16.92	-4	U.S.	Wary U.S. consumers, penny-pinching corporations, and white-hot competition in credit cards made it a tough year for the prestigious brand.
16 CISCO	16.22	17.21	-6	U.S.	The popping of the Internet bubble, and the plunge in telecom spending, drew down brand value.
17 AT&T	16.06	22.83	-30	U.S.	Nobody loves telecom these days. But at least it's faring better than WorldCom.
18 HONDA	15.06	14.64	+3	Japan	Solid, dependable, and nurturing a growing reputation for earth-friendly "hybrid" technology.
19 GILLETTE	14.96	15.30	-2	U.S.	The King of Blades is still gaining share, as higher marketing boosts the premium Mach 3 and Venus razors.
20 BMW	14.43	13.86	+4	Germany	Bold new designs—from the space-age 7-series sedan to the athletic X5 SUV—helped BMW boost sales and profit margins.
21 SONY	13.90	15.01	-7	Japan	Still known for its design flair, Sony gadgets have come under attack by Samsung.
22 NESCAFE	12.84	13.25	-3	Switzerland	Cheap instant coffee is losing favor as people consume more java outside the home.
23 ORACLE	11.51	12.22	-6	U.S.	Look out below: Oracle's value has eroded along with tech spending.
24 BUDWEISER	11.35	10.84	+5	U.S.	Nimble advertising for Bud and soaring Bud Light gives it continued dominance in the U.S. and U.K.
25 MERRILL LYNCH	11.23	15.02	-25	U.S.	Investors have long memories, so Merrill's conflict-of-interest fiasco between bankers and analysts could linger.
26 MORGAN STANLEY	11.20	N/A	N/A	U.S.	Few on Wall Street emerged unscathed from the earnings controversy, but Morgan Stanley also had a poor performance underwriting IPOs.
27 COMPAQ	9.80	12.35	-21	U.S.	A big grab for market share by Dell, coupled with the histrionics over Compaq's merger with HP, hurt a tired brand.
28 PFIZER	9.77	8.95	+9	U.S.	Pfizer took the high ground on a hot-button issue with initiative to sell reduced-price drugs.
29 J.P. MORGAN	9.69	N/A	N/A	U.S.	The market was bad enough, but J.P. Morgan also had big negative exposure in the Enron collapse.
30 KODAK	9.67	10.80	-10	U.S.	Kodak so far hasn't transferred the equity from its longtime dominance of photo into the digital market.
31 DELL	9.24	8.27	+12	U.S.	Proved that its built-to-order business model works in bad times as well as good.
32 NINTENDO	9.22	9.46	-3	Japan	On top of the price battle faced by its GameCube, the handheld Game Boy Advance was only a middling success.
33 MERCK	9.14	9.67	-6	U.S.	Vioxx faces patent expiration and new-drug pipeline is dry. Now, investors are ill over accounting questions.
34 SAMSUNG	8.31	6.37	+30	S. Korea	Revved up brand value with brilliant product design and arresting marketing.
35 NIKE	7.72	7.59	+2	U.S.	Strides in penetrating soccer market, and signs it may do the same in golf, augur well for this premium brand.
36 GAP	7.41	8.75	-15	U.S.	Its slide accelerated as consumers turned elsewhere for cutting-edge styles or lower prices.
37 HEINZ	7.35	7.06	+4	U.S.	A classic brand that exploits core markets with memorable extensions in everything from ketchup to tuna.
38 VOLKSWAGEN	7.21	7.34	-2	Germany	Global car sales are down, and the new Beetle was not the megahit VW might have hoped for.
39 GOLDMAN SACHS	7.19	7.87	-9	U.S.	CEO Henry Paulson spoke out about declining corporate credibility, but so far it hasn't rubbed off on the Goldman brand.

Data: Interbrand Corp., J.P. Morgan Chase & Co., *BusinessWeek*

The Global Brand Scoreboard

RANK	2002 BRAND VALUE \$BILLIONS	2001 BRAND VALUE \$BILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION	
40	KELLOGG'S	7.19	7.01	+3	U.S.	Stabs at innovation, and a Disney alliance that put Buzz Lightyear on ce- real boxes, renewed the brand's relevance.
41	LOUIS VUITTON	7.05	7.05	0	France	Still a fashion must-have, particularly in Asia, but sales have been anemic because of post-September 11 travel decline.
42	SAP	6.78	6.31	+7	Germany	SAP has delivered on theme, "The best-run e-businesses run SAP." The software maker benefited from a flight to established suppliers.
43	CANON	6.72	6.68	+2	Japan	A reasonable performance in a camera market that is exhibiting almost no growth. And it's gaining on Xerox in copiers.
44	IKEA	6.55	6.01	+9	Sweden	Resonant brand benefited from the weak economy, which made more cus- tomers willing to assemble their own tables.
45	PEPSI	6.39	6.21	+3	U.S.	Innovations keep coming, like lemon-flavored Pepsi Twist. But biggest challenge is a consumer shift to bottled water and juices.
46	HARLEY-DAVIDSON	6.27	5.53	+13	U.S.	Masterful job of selling Baby Boomers on a high-margin symbol of youth- ful rebellion.
47	MTV	6.08	6.60	-8	U.S.	Phenomenal success of <i>The Osbournes</i> shows MTV still has its spark. Un- fortunately, the ad market is dead.
48	PIZZA HUT	6.05	6.00	+1	U.S.	Tough market, but the chain upgraded its restaurants and added new products like P-Zone, Twisted Crust, and Quad.
49	KFC	5.35	5.26	+2	U.S.	Introduced Popcorn Chicken, new Chicken Twister sandwich, and restau- rants co-branded with corporate sibling Pizza Hut.
50	APPLE	5.32	5.46	-3	U.S.	A well-received new iMac couldn't overcome weak sales to consumers and design professionals.
51	XEROX	5.31	6.02	-12	U.S.	Trying to dodge its stodgy image, with digital and high-speed copiers. But a financial cloud lingers.
52	GUCCI	5.30	5.37	-1	Italy	The ongoing allure of lead designer Tom Ford could offset a slow start to 2002.
53	ACCENTURE	5.18	N/A	N/A	U.S.	In light of former parent Arthur Andersen's fate, Accenture's branding ini- tiative looks like sheer brilliance.
54	L'OREAL	5.08	N/A	N/A	France	No slowdown here. The brand now gets more than half its sales outside Europe, thanks to smart acquisitions.
55	KLEENEX	5.04	5.09	-1	U.S.	Kleenex held most of its value because of innovations like Kleenex Trav- ellers, for car door pockets.
56	SUN	4.78	5.15	-7	U.S.	Sun still leads in servers, but must deal with the implosion of the once- fertile dot-com sector.
57	WRIGLEY'S	4.75	4.53	+5	U.S.	Innovations kept the Wrigley's brand fresh. Can "functional" products like tooth-cleaning gum add further shine?
58	REUTERS	4.61	5.24	-12	Britain	Reuters lost considerable ground to Bloomberg as customers fled its old- fashioned image and poor service.
59	COLGATE	4.60	4.57	+1	U.S.	A toothpaste/mouthwash combo and other novelties helped offset slipping share in other product areas.
60	PHILIPS	4.56	4.90	-7	Netherlands	Potent in Europe but weak in North America, this brand was dogged by tough consumer-electronics markets and lackluster U.S. marketing.
61	NESTLE	4.43	N/A	N/A	Switzerland	The king of chocolate, cookies, and baby food is eating up U.S. ice cream with Dreyer's.
62	AVON	4.40	4.37	+1	U.S.	A makeover of its sales force and product lines boosted U.S. sales. But Avon has stumbled with its foray into retail sales.
63	AOL	4.33	4.50	-4	U.S.	Few signs of promised synergies following merger with Time Warner, and AOL's subscriber growth has slowed.
64	CHANEL	4.27	4.27	0	France	The perfume and fashion icon held its own in a tough global economy.
65	KRAFT	4.08	4.03	+1	U.S.	Still dominates lineup stretching from cheese to salad dressing, and isn't afraid to use its muscle to get the best store display.
66	DANONE	4.05	N/A	N/A	France	No. 1 in yogurt outside the U.S. and No. 2 in water, Danone is well-posi- tioned to benefit from health worries.
67	YAHOO!	3.86	4.38	-12	U.S.	Forget the ad slump, Yahoo needs to prove it is relevant to consumers as they become more experienced at browsing.
68	ADIDAS	3.69	3.66	+1	Germany	Benefited from World Cup fever, but still has little appeal among trend- setting black and Hispanic youth.
69	ROLEX	3.69	3.70	0	Switzerland	There's nothing like a classy watch in bad times. But improved sales must wait.

Data: Interbrand Corp., J.P. Morgan Chase & Co., *BusinessWeek*

The Global Brand Scoreboard

RANK		2002 BRAND VALUE \$BILLIONS	2001 BRAND VALUE \$BILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
70	TIME	3.68	3.72	-1	U.S.	Ads are way off but big news year has helped the magazine's reputation.
71	ERICSSON	3.59	7.07	-49	Sweden	Ericsson keeps falling further behind Nokia, Samsung, and Motorola.
72	TIFFANY	3.48	3.48	0	U.S.	With sales down in Japan, the world's most famous jewelry retailer has had to sell more lower-priced gold and silver.
73	LEVI'S	3.45	3.75	-8	U.S.	Until new designs hit store shelves, Levi's will continue to lose ground to youth-oriented labels.
74	MOTOROLA	3.42	3.77	-9	U.S.	Suffered from softness in phone handsets and semiconductors, but its greater diversification was a hedge.
75	DURACELL	3.41	4.14	-18	U.S.	Forced to spend heavily on promotions to hold onto market share, cutting profit margins.
76	BP	3.39	3.24	+4	Britain	While efforts to recast itself as environmentally conscious are controversial, the BP brand is motoring along.
77	HERTZ	3.36	3.62	-7	U.S.	Rental car business suffered as more Americans stayed home.
78	BACARDI	3.34	3.20	+4	Bermuda	Solid marketing and the cachet of its Cuban heritage have the rum brand on a growth track.
79	CATERPILLAR	3.22	N/A	N/A	U.S.	The No.1 heavy-equipment brand has steamrolled into merchandise and clothing, playing off its rough-and-tumble image.
80	AMAZON.COM	3.18	3.13	+1	U.S.	Amazon looks to extend its brand with more retail alliances like the ones it has with Target and Toys 'R' Us.
81	PANASONIC	3.14	3.50	-10	Japan	It has overhauled product lines and chopped costs, but Panasonic hasn't been able to pull off a Samsung-like makeover.
82	BOEING	2.97	4.06	-27	U.S.	The grounding of airlines last fall hit Boeing hard. Now it wants to be known as much for its space and defense businesses.
83	SHELL	2.81	2.84	-1	Brit./Neth.	Ad spending got a boost in 2001, but the brand still has little exposure in the U.S.
84	SMIRNOFF	2.72	2.59	+5	Britain	Smirnoff got a shot of relevance thanks to the explosive growth of ready-to-drink Smirnoff Ice.
85	JOHNSON & JOHNSON	2.51	N/A	N/A	U.S.	The strong image of caring built up by its baby products stood the company in good stead.
86	PRADA	2.49	N/A	N/A	Italy	Fashion exposure was helped by two high-profile store openings but poor market conditions have stalled moves to go public yet again.
87	MOET & CHANDON	2.45	2.47	-1	France	The champagne brand should pick up fizz after clearing away unsold inventory from Millennium celebrations.
88	HEINEKEN	2.40	2.27	+6	Netherlands	Its reputation for quality—and high profits—remains intact despite efforts to branch out through acquisitions.
89	MOBIL	2.36	2.41	-2	U.S.	Tough year for any oil company, but Mobil's strong U.S. focus helped it fare better than most.
90	BURGER KING	2.16	2.43	-11	U.S.	Diageo's poor supervision of franchisees led to inconsistent quality. Will a new owner do better?
91	NIVEA	2.06	1.78	+16	Germany	Nivea capitalized on an image of wholesomeness to branch out beyond its core hand and body cream products.
92	WALL STREET JOURNAL	1.96	2.18	-10	U.S.	Its staid format got a radical re-do, including color reproduction. But the Journal still got smacked by the ad recession.
93	STARBUCKS	1.96	1.76	+12	U.S.	Starbucks hasn't stumbled yet. There are still gaps to fill in the U.S., as it gears up for expansion in Asia and Europe.
94	BARBIE	1.94	2.04	-5	U.S.	Another year of brand erosion as little girls opted for more fashionable toys.
95	POLO RALPH LAUREN	1.93	1.91	+1	U.S.	Modest growth and a U.S. focus helped this brand in a difficult year at the luxury end of the rag trade.
96	FEDEX	1.92	1.89	+2	U.S.	FedEx consolidated its leadership and secured more flights into Hong Kong to service booming Asian markets.
97	JOHNNIE WALKER	1.65	1.65	0	Britain	"Keep walking" ad message focusing on personal journeys seemed to strike a chord with younger drinkers.
98	JACK DANIEL'S	1.58	1.58	0	U.S.	Jack Daniel's "birthday parties" celebrated the brand's 150th year.
99	3M	1.58	N/A	N/A	U.S.	In a world of commodities, 3M churns out continual innovation to command premium prices.
100	ARMANI	1.51	1.49	+1	Italy	Twenty new stores slated to open from Milan to Hong Kong this year are helping overcome the downturn.

Data: Interbrand Corp., J.P. Morgan Chase & Co., *BusinessWeek*

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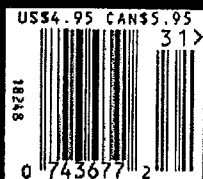
**BOND
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IS IT SIGNALING
INFLATION?

VERIZON
IVAN
SEIDENBERG'S
GUTSY BET

**MUTUAL
FUNDS**
OUR NEW
A-LIST

CHINA
SIGNS OF A YUAN
REVALUATION

RUSSIA
BOOMING
ECONOMY,
AUTHORITARIAN
POLITICS



THE BEST GLOBAL BRANDS

Annual Ranking of the Top 100

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THE 100 TOP BRANDS

Here's how we calculate the power in a name

To rank the world's 100 most valuable global brands, we set three hurdles that all contenders have to meet to merit consideration. First, they must have brand values greater than \$1 billion. They also have to be global in nature, meaning they must derive at least a third of their sales from outside their home countries and have significant distribution throughout the Americas, Europe, and Asia. Finally, they must have publicly available marketing and financial data. That excluded some big brands, such as Visa International, the BBC, and Mars.

How do you place a value on a brand? Some attempts rely on little more than opinion polls or ad spending. *BusinessWeek* selected Interbrand's method because it values brands the same way analysts value other assets: on the basis of how much they're likely to earn in the future. Those projected

profits are then discounted to a present value based on how risky the projected earnings are—that is, the likelihood that they will, in fact, materialize.

To start the process, Interbrand first figures out what the brand's overall sales are. (The brand may be almost the entire company, as in the case of McDonald's Corp. For others, such as Marlboro, it may be just a portion.) Next, with the help of analysts from J.P. Morgan Chase & Co., Citigroup, and Morgan Stanley, Interbrand projects net earnings for the brand. It then deducts a charge for the cost of owning the tangible assets, on the theory that whatever income is generated beyond that cost is due to intangible factors. This is the economic value added by things like patents, customer lists, and, of course, the brand.

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earnings generated by other intangibles. For example, are people buying Shell gasoline because of the brand name or because the gas station is conveniently located? Interbrand uses market research and interviews with industry executives to sift through those variables.

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The Global Brand Scoreboard

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1 COCA-COLA	70.45	69.64	+1%	U.S.	New variations such as vanilla Coke and a lemon-flavored diet drink helped the soft-drink icon remain bubbly.
2 MICROSOFT	65.17	64.09	+2	U.S.	The software giant shifted its advertising to build the brand, not just sell products, at a time when most rivals were suffering.
3 IBM	51.77	51.19	+1	U.S.	Big Blue gained recognition in new markets, partly thanks to an \$800-million marketing campaign pushing e-business on demand.
4 GE	42.34	41.31	+2	U.S.	Getting double-digit growth is harder, but in tough times, the brand that Edison built held its own.
5 INTEL	31.11	30.86	+1	U.S.	With Intel Inside and Wi-Fi out to take over the world, the chipmaker's Centrino wireless notebook package delivered a powerful punch.
6 NOKIA	29.44	29.97	-2	Finland	Still the world's leading mobile phone maker, Nokia faced stiff challenges from fast-riser Samsung and a growing crop of operator-branded phones.
7 DISNEY	28.04	29.26	-4	U.S.	Not the Happiest Place on Earth as Disney Stores were up for sale, ABC overhauled prime time, and travel woes sapped theme parks.
8 McDONALD'S	24.70	26.38	-6	U.S.	Mixed-up orders and dirty restaurants hurt the brand. Now business is recovering somewhat behind a renewed focus on service and salads.
9 MARLBORO	22.18	24.15	-8	U.S.	Under siege from smoking bans and lawsuits, the Marlboro Man was looking like a fugitive.
10 MERCEDES	21.37	21.01	+2	Germany	The luxury auto maker crafts the sumptuous sedans the rich and famous love to buy—and ordinary consumers dream of owning.

The Global Brand Scoreboard

RANK	2003 BRAND VALUE \$BILLIONS	2002 BRAND VALUE \$BILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
11 TOYOTA	20.78	19.45	+7	Japan	Always solid, if stodgy, Toyota stole a march on Honda with aggressive moves into eco-friendly hybrid cars and low-priced models for younger buyers.
12 HEWLETT-PACKARD	19.86	16.78	+18	U.S.	Many feared the next Titanic when it acquired Compaq last year, but HP emerged relatively unscathed and more profitable than before.
13 CITIBANK	18.57	18.07	+3	U.S.	Latest phase of its successful "Live Richly" campaign included ads shot in 17 countries, characterizing a firm with global reach but a down-home flavor.
14 FORD	17.07	20.40	-16	U.S.	Sky-high rebates and 0% financing took some of the shine off Bill Ford's lineup; snazzy new SUVs from Japan and Europe are stealing more thunder.
15 AMERICAN EXPRESS	16.83	16.29	+3	U.S.	American Express punched up ad spending to target retail customers. Now they use cards to pay for groceries, gas, even rent.
16 GILLETTE	15.98	14.96	+7	U.S.	In an era of falling consumer prices, the King of Blades still managed to get shavers to pay premium prices.
17 CISCO	15.79	16.22	-3	U.S.	It played the downturn beautifully to generate record profits. But the brand was still mired in the networking depression that followed the Net boom.
18 HONDA	15.63	15.06	+4	Japan	Sagging sales in its home Japanese market have yet to dent its renown for reliable, dependable products.
19 BMW	15.11	14.43	+5	Germany	The Ultimate Driving Machines are fast, fun, stylish—and now come in more flavors. A rapidly expanding lineup primed global growth.
20 SONY	13.15	13.90	-5	Japan	Still the platinum brand in gizmos, but rivals Panasonic and Samsung were catching up with snazzy cell phones, digital cameras, and flat-panel TVs.
21 NESCAFE	12.34	12.84	-4	Switzerland	The world's favorite instant coffee advertised heavily to attract younger coffee drinkers.
22 BUDWEISER	11.89	11.35	+5	U.S.	The King of Beers continued to swipe market share, despite rivals' wacky ad campaigns built around twins and female mud wrestling.
23 PEPSI	11.78	11.14	+6	U.S.	With innovations like Twist, Wild Cherry, and Pepsi Blue, this fizzy rival was determined to catch up with Coke.
24 ORACLE	11.26	11.51	-2	U.S.	The software giant had always been a Silicon Valley maverick. Now add "corporate raider" to the long list of adjectives.
25 SAMSUNG	10.85	8.31	+31	S. Korea	Riding the electronics industry's shift to digital products, it wowed consumers with a blizzard of feature-packed gadgets and leading-edge chips.
26 MORGAN STANLEY	10.69	11.21	-5	U.S.	Once a seemingly invincible white-shoe firm, it struggled to rise above Wall Street's scandals involving analysts' investment-banking conflicts.
27 MERRILL LYNCH	10.52	11.23	-6	U.S.	Merrill sought to escape the tarnish of scandals, while its retail business tried to move beyond its rep as a thundering herd of brokers.
28 PFIZER	10.46	9.77	+7	U.S.	A master acquirer and marketer, it leveraged a stable of top-selling drugs that includes Viagra and Lipitor, the world's sales leader.
29 DELL	10.37	9.24	+12	U.S.	Annoying pitchman Stevan is gone, but that didn't slow the pace of PC sales or assaults on new markets like printers and PDAs.
30 MERCK	9.41	9.14	+3	U.S.	Patent expirations dampened earnings growth, but Merck continued to cultivate its image as a research leader.
31 JPMORGAN	9.12	9.69	-6	U.S.	Viewed by many as the banker's bank, it suffered from corporate scandals and a slump in mergers and IPOs. Heavy exposure to derivatives is also a dark cloud.
32 NINTENDO	8.19	9.22	-11	Japan	This former master of the video-game universe saw its empire shrink in the wake of an onslaught from Sony's PlayStation and Microsoft's Xbox.
33 NIKE	8.17	7.72	+6	U.S.	An extreme marketing effort during soccer's World Cup and tie-in to Tiger Woods showed there's more to sporting goods than basketball shoes.
34 KODAK	7.83	9.67	-19	U.S.	Steadily falling film sales and a sputtering digital strategy could mean that Kodak's moment has passed.
35 SAP	7.71	6.78	+14	Germany	Behind sharper marketing and a strong sailing tie-in, the German software giant survived the tech downturn looking more solid than ever.
36 GAP	7.69	7.41	+4	U.S.	Bright colors and a fresh new ad campaign helped lift it out of a sales swoon.
37 HSBC	7.57	N/A	N/A	Britain	The 138-year-old lender's frugal management built the world's second-largest retail bank through acquisitions in the U.S., Europe, and developing markets.
38 KELLOGG'S	7.44	7.19	+3	U.S.	Boosted market share by sprinkling fruits into its flakes and peppering up marketing with pitchmen like Disney's Winnie the Pooh.
39 CANON	7.19	6.72	+7	Japan	Already the world's top copier and laser-printer company, it emerged as a major force in digital cameras, too.

*Pepsi's 2002 brand-value data was revised upward due to new data.

The Global Brand Scoreboard

RANK	2003 BRAND VALUE \$BILLIONS	2002 BRAND VALUE \$BILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
40 HEINZ	7.10	7.35	-3	U.S.	The world's favorite ketchup now comes in upside-down bottles and colors like "stellar blue." But competition took a bite.
41 GOLDMAN SACHS	7.04	7.19	-2	U.S.	Raising capital for Corporate America made it arguably the most prestigious investment bank. But a drought in mergers and equity issuances took a toll.
42 VOLKSWAGEN	6.94	7.21	-4	Germany	The stalwart maker of quality mass-market cars suffered from high costs, an aging lineup, fierce French competition, and a slew of overlapping brands.
43 IKEA	6.92	6.55	+6	Sweden	The chain made flat-packed furniture both affordable and fashionable, bringing its concept of democratic design to 31 countries.
44 HARLEY-DAVIDSON	6.78	6.27	+8	U.S.	Aging customers still think Harley when they think motorcycle. They're also rich enough to afford such innovations as the sleek \$18,000 V-Rod.
45 LOUIS VUITTON	6.71	7.05	-5	France	A downturn in tourism slowed this awesome profit machine fueled by monogrammed bags and accessories.
46 MTV	6.28	6.08	+3	U.S.	Still a big favorite among teens, and not just in the U.S. MTV International was one of the fastest-growing businesses at parent Viacom Inc.
47 L'OREAL	5.60	5.08	+10	France	Who's boycotting France? Not the millions of women who made L'Oréal the No. 1 cosmetics seller in the U.S.
48 XEROX	5.58	5.31	+5	U.S.	With new financing and a range of hot color products, the troubled copier company's image was on the mend.
49 KFC	5.58	5.35	+4	U.S.	The chicken chain goosed global business by promoting local fare—tempura crispy strips in Japan and potato-and-onion croquettes in Holland.
50 APPLE	5.55	5.32	+4	U.S.	The "i"s have it—iPod, iTunes, and iBooks lifted the perennial underdog, while the innovative Music Store download service left rivals in the dust.
51 PIZZA HUT	5.31	6.05	-12	U.S.	The dough wasn't rising. Asian restaurant sales were hurt by SARS, while at home the chain was slow to sling popular new products such as wings.
52 ACCENTURE	5.30	5.18	+2	U.S.	Hit hard by the slump in telecom, the consulting icon took its own advice and nimbly built its outsourcing specialty.
53 GUCCI	5.10	5.30	-4	Italy	Chief designer Tom Ford was still a hit on the catwalks of Paris and New York, but Gucci's profits were shredded by economic stagnation and SARS.
54 KLEENEX	5.06	5.04	0	U.S.	From aromatherapy tissues to 3-D holiday boxes, this leader still managed to pull out some fresh ideas.
55 WRIGLEY'S	5.06	4.75	+7	U.S.	Hip ad campaigns to relaunch core brands Juicy Fruit and Doublemint and introduction of new sugar-free gum reinvigorated the chew-chew train.
56 COLGATE	4.69	4.60	+2	U.S.	As it neared the end of its second century, the brand continued to win over more smiles.
57 AVON	4.63	4.40	+5	U.S.	The Avon Ladies were on a tear, leveraging healthy R&D and marketing budgets through online sales and an expanding door-to-door network.
58 SUN MICROSYSTEMS	4.47	4.77	-6	U.S.	A perception that this computer maker wasn't keeping up with technology trends made it appear as less than cutting-edge.
59 PHILIPS	4.46	4.56	-2	Netherlands	In Europe, its name equals home electronics, but Philips struggled with awareness in the U.S. and perennially tough competition from Asia.
60 NESTLE	4.46	4.43	+1	Switzerland	From chocolate to baby formula, the Swiss food giant keeps the world's pantry stocked.
61 CHANEL	4.32	4.27	+1	France	A symbol of Parisian sophistication for mom's generation, but Chanel had a harder time luring younger customers.
62 DANNONE	4.24	4.05	+5	France	The maker of Dannon yogurt, already a powerhouse in Europe, was betting big on emerging markets.
63 KRAFT	4.17	4.08	+2	U.S.	The master of line extensions scored with new frozen-pizza flavors and other products but lost share on its cheese business to private labels.
64 AOL	3.96	4.33	-8	U.S.	Often dubbed the "Internet on training wheels," the king of the dial-up services risked losing subscribers as they graduated to broadband connections.
65 YAHOO!	3.90	3.86	+1	U.S.	This Internet icon soared again but will have to watch out for the Net's next killer brand, Google.
66 TIME	3.78	3.68	+3	U.S.	After winning a National Magazine Award for coverage of September 11, the weekly ramped up again with excellent war reporting and photography.
67 ADIDAS	3.68	3.69	0	Germany	The maker of athletic shoes and clothing suffered from a plunge in U.S. sales as youths balked at paying more than \$100 for a pair of sneakers.
68 ROLEX	3.67	3.69	0	Switzerland	Tough times failed to put a dent in the popularity of the signature Swiss watches.
69 BP	3.58	3.39	+6	Britain	John Browne was once again front and center with his controversial "Beyond Petroleum" campaign. A megadeal in Russia also helped.

The Global Brand Scoreboard

RANK	2003 BRAND VALUE \$BILLIONS	2002 BRAND VALUE \$BILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
70 TIFFANY	3.54	3.48	+2	U.S.	Even hard times couldn't dim the luster of Tiffany's extravagant baubles in their signature blue box.
71 DURACELL	3.44	3.41	+1	U.S.	Terrorist fears bolstered battery sales, but the category remained hampered by cutthroat competition.
72 BACARDI	3.43	3.34	+3	Bermuda	New flavors, coupled with the popularity of the mojito—a Cuban rum mint julep—kept the venerable rum brand on the hip parade.
73 HERMES	3.42	N/A	N/A	France	Known for classic scarves and leather goods, Hermes recently hired celebrity designer Jean-Paul Gaultier to update its image.
74 AMAZON.COM	3.40	3.18	+7	U.S.	Amazon's relentless focus on making online buying easier—not to mention steady progress toward profits—improved its standing among consumers.
75 CATERPILLAR	3.36	3.22	+5	U.S.	The economy gave Cat a rough ride, but the heavy-equipment and engine maker bulldozed ahead, strengthening earnings through cost-cutting.
76 REUTERS	3.30	4.61	-28	Britain	The news and data service still had not found the formula to outgun financial-screen rival Bloomberg in a weak market.
77 LEVI'S	3.30	3.45	-5	U.S.	This struggling American icon has tried—sometimes too hard—to be cool, but it's also going mass-market with a line for Wal-Mart.
78 HERTZ	3.29	3.36	-2	U.S.	Saddled with a difficult travel market, Hertz Rent-A-Car had a tough time standing out as the premium choice. This company will have to try harder.
79 PANASONIC	3.26	3.14	+4	Japan	Once a dowdy line of home electronics, Matsushita's Panasonic brand stood for style, quality, and function-packed products.
80 ERICSSON	3.15	3.59	-12	Sweden	The cellular equipment giant survived the telecom bust but faced a tough future. Two years of storm and drang have taken a toll.
81 MOTOROLA	3.10	3.42	-9	U.S.	This electronics brand was cut down to size by intense competition and weak demand, while product delays put customers on hold.
82 HENNESSY	3.00	N/A	N/A	France	Hip-hoppers and other celebs made this top-of-the-line cognac relevant to a new generation of drinkers.
83 SHELL	2.98	2.81	+6	Brit/Nether.	CEO Phil Watts drove a money machine fueled by \$30 oil prices and hard-nosed cost-cutting.
84 BOEING	2.86	2.97	-4	U.S.	Management worked hard to prove the brand stood for more than commercial airliners, only to fall behind Airbus in that crucial market.
85 SMIRNOFF	2.81	2.72	+3	Britain	Shook up the booze business with its introduction of flavored vodkas and a range of ready-to-drink Smirnoff spin-off products.
86 JOHNSON & JOHNSON	2.71	2.51	+8	U.S.	The halo effect from J&J's trusted consumer brands helped the company's sales reps as they marketed a broad lineup of drugs and devices.
87 PRADA	2.54	2.49	+2	Italy	The Italian icon's minimalist clothing, nylon handbags, and ultra-trendy shoes took fashion capitals by storm, but heavy debt slowed its strut.
88 MOET & CHANDON	2.52	2.45	+3	France	With sales up 14% last year, it kept the bubbly flowing at parent company LVMH Moët Hennessy Louis Vuitton.
89 NISSAN	2.50	N/A	N/A	Japan	On a roll under new management from Renault, but the brand's reputation had yet to catch up to Nissan's crowd-pleasing new models.
90 HEINEKEN	2.43	2.40	+1	Netherlands	Young people were drinking less, but if they spend more for quality, the Dutch-made premium beer could prosper.
91 MOBIL	2.41	2.36	+2	U.S.	Success of its reformulated Mobil 1 motor oil, racing sponsorships, and its status as NASCAR's official lubricant reinvigorated this ExxonMobil franchise.
92 NIVEA	2.22	2.06	+8	Germany	Hamburg-based parent company Beiersdorf kept the skin cream growing by spreading it into categories such as sun protection and deodorants.
93 STARBUCKS	2.14	1.96	+9	U.S.	This fast-growing brand continued to corner the U.S. market, although it hit some speed bumps overseas.
94 BURGER KING	2.12	2.16	-2	U.S.	As talks dragged on to sell the Home of the Whopper, it suffered from a stale menu, management exodus, and financial strains among some franchisees.
95 POLO RALPH LAUREN	2.05	1.93	+6	U.S.	Another record year for the preppy purveyor of American style that launched in 1967 as a line of flamboyant ties.
96 FEDEX	2.03	1.92	+6	U.S.	FedEx was riding high behind a successful expansion of its ground home-delivery service, stealing market share from leader United Parcel Service Inc.
97 BARBIE	1.87	1.94	-3	U.S.	The babe in pink reinvented herself as a DVD movie star, even taking a spin around Swan Lake. But she's slipping against fresh new competitors like Bratz.
98 WALL ST. JOURNAL	1.76	1.96	-10	U.S.	The downturn in advertising, especially for business publications, pummeled the Dow Jones flagship.
99 JOHNNIE WALKER	1.72	1.65	+4	Britain	Four bottles of this nearly 200-year-old blended scotch whiskey are consumed every minute, making it owner Diageo's most spirited brand.
100 JACK DANIELS	1.61	1.58	+2	U.S.	A global push and marketing campaign to appeal to women and younger drinkers means Jack Black ain't just for Good Old Boys anymore.

The brand valuations draw upon publicly available information, which has not been independently investigated by Interbrand. Valuations do not represent a guarantee of future performance of the brands or companies. Data: Interbrand Corp., J.P. Morgan Chase & Co., Citigroup, Morgan Stanley, BusinessWeek.



BRANDS

IN AN AGE OF ANTI-AMERICANISM

BusinessWeek/Interbrand's annual ranking of the world's most valuable brands shows that American labels are still potent

Park Young Hoon of Seoul was quick to clench his fist and yell slogans against George W. Bush earlier this year in a giant rally denouncing the U.S. President's tough policy on North Korea. But that doesn't mean the 33-year-old computer engineer is willing to loosen his grip on his favorite American coffee or cola. "Calling for political independence from the U.S. is one thing, and liking American brands is another," he says. "Of course I like IBM, Dell, Microsoft, Starbucks, and Coke."

Luckily for the stewards of America's largest brands, plenty of other consumers around the world are making the same distinctions. America's go-it-alone attitude in recent years, which has shaped its position on everything from environmental issues to Iraq, has aroused plenty of anti-U.S. sentiment. So far, however, that antipathy is not spilling over into a widespread rejection of U.S. hamburgers or packaged goods. "Yemeni students were out burning the American flag, chanting 'kill the Americans'" in early March, notes Jack Valenti, CEO of the Motion Picture Association of America. "As soon as the theaters opened at 7 p.m., bingo, they were all in there." Indeed, overseas box-office receipts for American movies have been cresting at near-record highs this year despite mounting anger against the country in which the films were produced.

Whatever the world thinks of the U.S. these days, American labels dominate this year's annual *BusinessWeek/Interbrand* Corp. ranking of the 100 most valuable global brands. U.S. brands claimed 62 places, including 8 of the top 10 spots. The ranking is based on a detailed analysis of how much of each product's sales are driven by the brand name, weighted for such other factors as market leadership, sta-

bility, and the ability to cross national borders.

Just because American brands dominate doesn't mean foreign brands aren't also moving up the ranks. Samsung Electronics, SAP, L'Oréal, and Toyota posted some of the biggest gains on the list. And consumers were clearly paying attention to current events. Another year of corporate scandals and mediocre stock market returns chipped away at the value of such brands as JPMorgan, Merrill Lynch, and Morgan Stanley.

Those that have suffered the steepest valuation declines—such as Ford, down 16%, to \$17.1 billion, or Kodak, down 19%, to \$7.8 billion—are less the victims of a tense political climate than of stumbles under the weight of quality issues, mistargeted products, or other fundamental business problems. Some, such as Levi's and McDonald's, are racking up higher sales growth overseas than at home. The names that dominate the roster, such as top-ranked Coke and No. 2 Microsoft, are global players that rise above the noise of political dissent to appeal to consumers everywhere.

What is it, exactly, that's keeping U.S. brands aloft? Credit a combination of smart brand management and sheer luck. That American brands are born and nurtured in the world's largest and most eclectic economy confers a huge advantage. By the time they venture overseas, issues of quality, consis-

The World's 10 Most Valuable Brands

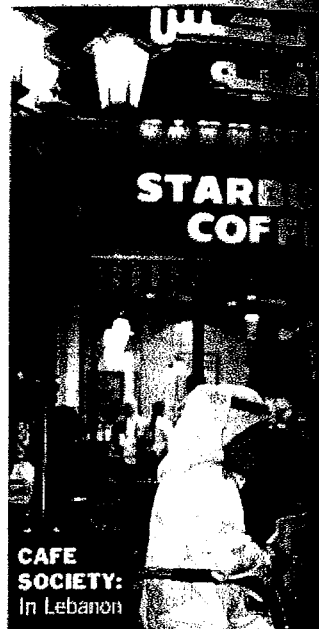
RANK	BRAND	2003 BRAND VALUE BILLIONS
1	COCA-COLA	\$70.45
2	MICROSOFT	65.17
3	IBM	51.77
4	GE	42.34
5	INTEL	31.11
6	NOKIA	29.44
7	DISNEY	28.04
8	MCDONALD'S	24.70
9	MARLBORO	22.18
10	MERCEDES	21.37

Data: Interbrand Corp., J.P. Morgan Chase & Co., Citigroup, Morgan Stanley

Special Report



**BOYCOTT
TARGET:**
Antiwar
protests in
Argentina



**STARBUCKS
COFFEE**
**CAFE
SOCIETY:**
In Lebanon

tency, and logistics have largely been resolved. And many brands have been in the global marketplace for so long that few consumers can say with any certainty where they originated.

At the same time, American marketers have worked hard to imbue their products with American values that are still attractive overseas. "I think the core values of Levi's—democracy, freedom, independence—certainly are viewed as the best of America and its virtues," says Levi Strauss & Co. CEO Philip A. Marineau, whose brand still struggles at home but is coveted in markets such as Asia.

Far more important, marketers have learned to weave their products into the local culture by hiring local managers and adapting everything from packaging to serving sizes to flavors to the local market. Thus, McDonald's Corp. sells aloo tikka in Bombay, teriyaki burgers in Tokyo, the flatbread McArabia in Amman, and kosher McNuggets in Tel Aviv. Despite continued tensions in the Middle East, that's where the company saw some of its strongest sales growth over the past year. Many brands also try to cement their local ties by taking on ambitious community-service programs such as Coca-Cola Co.'s educational grants made through the Palestinian Authority and donations to environmental causes in Spain.

For a taste of how U.S. brands are sold, look at Pepsi in India. It's still the same soda pop that flows in America, but with a distinctly Indian twist. Pepsi-Co has nurtured a homegrown image

by sponsoring the hugely popular sport of cricket, using local celebrities in ads and filling its senior management slots with Indian talent. It has also taken community involvement to another level with such ventures as growing tomatoes and exporting chili paste with the state government of Punjab. Pepsi's local slogan, *Yeh Dil Maange More!* (This Heart Wants More!), is so popular that an Indian army major famously shouted it into the snowy Himalayan valleys after a key victory against the Pakistanis in the 1998 Kargil war. No wonder a three-day foreign-product boycott in the Communist state of Kerala barely made a dent in the soft drink's sales. And it's no surprise that the Pepsi brand has jumped 6% in value, to \$11.8 billion, this year.

For other brands, however, victory overseas means adhering strictly to the formulas that propelled them to the top in the U.S. Take Dell Inc., which added 12% in brand value this year, to \$10.4 billion. It has strived to replicate exactly the model that made it famous at home. That means mass customization, direct-to-the-buyer sales, and fast turnaround. The temptation to adapt to local conditions or lessen standards may be great, especially as European buyers have been slow to shop via the Internet and the less efficient payment practices of China mean buyers wait days before their Dell pc is shipped. But being a bulldog

can pay off. Today, Dell is the largest foreign seller of PCs in China and is going strong in Europe.

Some brands have overcome an anti-American prejudice by appealing to shared values. Nike Inc.'s "Just do it" message of individual empowerment and athletic achievement plays as well in Jakarta as it does in Jefferson City. The emotional appeal has proven especially powerful in regions such as Western Europe and Asia, where Nike is racking up the greatest sales growth.

Not every brand, of course, has found it easy to navigate overseas. Some misread demand; others get hung up on cultural differences. And a number simply become too stretched to maintain the quality and service that drove them to the top at home. Starbucks Corp. saw its brand gain 9% in

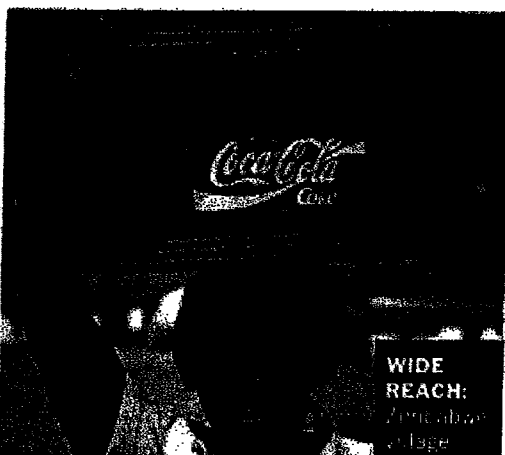
Winners

What tech slump? Suppliers of consumer electronics (Samsung), personal computers (Dell), printers (HP), and business software (SAP) were among the biggest-gaining brands.

RANK	BRAND	2003 BRAND VALUE BILLIONS	2002 BRAND VALUE BILLIONS	PERCENT CHANGE
25	SAMSUNG	\$10.85	\$8.31	+31%
12	HEWLETT-PACKARD	19.86	16.78	+18
35	SAP	7.71	6.78	+14
29	DELL	10.37	9.24	+12
47	L'OREAL	5.60	5.08	+10

Data: Interbrand Corp., J.P. Morgan Chase & Co., Citigroup, Morgan Stanley

GLOBAL POWER While some brands are emblematic of the U.S., many consumers distinguish between politics and products



WIDE REACH: Coca-Cola

ter design, often at lower prices. Toyota gained 7% in brand value, surpassing its American rivals at \$20.8 billion. Over the past 12 months, the Toyota brand has gained \$1.3 billion in value, while Ford has lost \$3.3 billion. The next big auto name on the list: Honda, which increased 4%, to \$15.6 billion. The brands of General Motors and Chrysler, which are less global, can't even

value, to \$2.1 billion, this year, but that was largely on the strength of double-digit gains in the U.S., where sales of everything from its compilation CDs to bottled Frappuccino are booming. "The equity of the brand has gone well beyond a cup of coffee," says Chairman Howard D. Schultz. Its 1,600 overseas stores are net money losers, however. Analysts attribute the losses to high startup costs, stiff competition, and less interest in the so-called Starbucks experience. Schultz blames the setbacks on temporary growth pains and a bad economy.

The problems have been far worse for U.S. carmakers. Not only are they losing traction in foreign markets but their home turf has long since been invaded by Asian and European competitors offering higher quality and bet-

crack the top 100.

As the car rankings show, a brand's popularity is only partly a result of careful grooming. Quality can't be faked, and many shoppers outside the U.S. really only care about a good deal. "If something is useful we buy it, whether it's made in the U.S., China, or elsewhere," notes student Heather Kam, while sipping a Caffé Mocha in a Hong Kong Starbucks.

There's another reason consumers overseas can rage against U.S. foreign policy one minute and relax with a Bud the next. Some products have become so widespread that many people are only vaguely aware of their countries of origin. Ahmad Tarounat, a 23-year-old Parisian salesman, may insist that he will never ingest a Big Mac because "McDonald's stands for American imperialism," but he seems oblivious to the origin of the Nike sneakers on his feet or the pack of Marlboro Lights in his hands.

He's not alone. In surveys, consumers routinely guess that Heineken is German (it's really Dutch) and that Nokia is Japanese (it's Finnish). Nestlé, a Swiss brand, found itself on some Arab boycott lists of American products during the Iraq war. And few know that Häagen-Dazs and Estée Lauder were actually born in the USA. Even where consumers can correctly identify the national origin of a multinational brand, they are more inclined

to think of it as global rather than American or Japanese, according to research by RoperASW.

U.S. corporations know that it takes more than translated slogans to win over a local population. As Jeffrey R. Immelt, chairman and CEO of General Electric Co., has noted: "We are a global company, [so] we want to present a global face to our customers." For Immelt, that has meant pushing more diversity through the ranks and, where possible, putting foreign talent into key management slots—and not just in their home countries. GE has watched its brand value increase 2% this year, to \$42.3 billion, despite a tough economy.

Another area is getting increasing attention from American brand owners: the need to be perceived as responsible global citizens. That can mean everything from giving funding to rural schools, as Coca-Cola has done, to plowing resources into fixing environmental problems. True, established companies have long done that at home. But many are infamous for bad behavior abroad, from substandard conditions in factories to landscapes denuded by manufacturing.

In a global village, that kind of bad publicity anywhere can erode the value of a brand. Sexist ads in China can be transmitted to the West with a mouse-click. A grassroots complaint can garner a global audience if it's directed at a big name. That means, for example, that Nike's labor practices in developing countries can become an issue for consumers around the world.

The world is a fast-changing and fickle place where big names can quickly and sometimes irrevocably slide in favor. New competitors or louder anti-Americanism may yet send the value of American brands plunging. But so far they are still finding ways to connect with consumers everywhere. In the end, the most effective tactics are surprisingly simple. Take a look at one of Coke's hit commercials this year, which centers around a guitarist on a subway playing a melancholy tune until a kid hands him a Coke. After a long slug, he launches into a remixed version of the old mambo tune *Chihuahua* and soon has everyone on the subway chanting "Chihuahua!" Sure, it was made in Spain. But when Coke aired it in other parts of Europe, it found commuters there were chanting in unison, too.

By Gerry Khermouch and Diane Brady in New York, with Stanley Holmes in Seattle, Moon Ilhwan in Seoul, Manjeet Kripalani in Bombay, Jennifer Picard in Paris, and bureau reports

Losers

Some long-entrenched players continued to lose ground in financial data (Reuters), photography (Kodak), automobiles (Ford), and wireless communication (Ericsson) to nimbler, more innovative competitors.

RANK	BRAND	2003 BRAND VALUE (\$BILLIONS)	2002 BRAND VALUE (\$BILLIONS)	PERCENT CHANGE
76	REUTERS	\$3.30	\$4.61	-28%
84	KODAK	7.83	9.67	-19
14	FORD	17.07	20.40	-16
51	PIZZA HUT	5.31	6.05	-12
80	ERICSSON	3.15	3.59	-12

DATA: INTERBRAND CORP., J.P. MORGAN CHASE & CO., CITIGROUP, MORGAN STANLEY

**SOFTBANK SON HAS
A NEW BROADBAND
STRATEGY**

**JOHN KERRY
HIS NEW PLAN FOR
FOREIGN POLICY**

**AMERICAN EXPRESS
LAUNCHING A CREDIT
CARD WAR**

The McGraw-Hill Companies

BusinessWeek

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THE BEST GLOBAL BRANDS

Our Annual
Ranking of
The Top 100

SPECIAL DOUBLE ISSUE

Harley-
Davidson
is No. 41

BRAD TRENT

CULT BRANDS

The *BusinessWeek*/Interbrand annual ranking of the world's most valuable brands shows the power of passionate consumers

CARLY NEISTAT, 33, IS A SELF-PROFESSED APPLE JUNKIE. Along with his brother, Vart, he is building his filmmaking career with the company's iMac computers and editing software. He usually leaves his Manhattan apartment with a sleek iPod plugged into his car. So last year, when the Neistat brothers discovered the digital music player's batteries were irreplaceable and lasted just 18 months, they made a film called *iPod's Dirty Secret* and launched a protest Web site. Apple Computer Inc. addressed the problem. Now Neistat insists that the protest was an act of love: "We made that film because we believe in the brand so much."

Such loyalty flies in the face of conventional marketing wisdom. A customer spurned, the logic goes, is a customer lost. But these days the relationship between brands and their customers has become much more complex. For one thing, consumers simply know more than they used to. The Internet opens up a wealth of information, allowing for instant price and quality comparisons. But consumers demand more from the brands they love than simple reliability; passionate consumers want their brands to become a form of self-expression. Increasingly, consumers are customizing products and services to achieve that—whether it's tailoring colors on a pair of sneakers from Nike Inc. or adding items to their personal to-watch list on eBay. Instead of arms-length customers, they're beginning to act like and feel like owners or members of a community. They no longer passively consume. Through the Internet, they can talk back and talk to one another. They can ignite a groundswell of positive buzz or spawn a revolt. As Peter Woodford, senior vice-president for strategic marketing and new media at Samsung Electronics North America, puts it: "Consumers are empowered in a way that's almost frightening."

The World's 10 Most Valuable Brands

A new survey shows how the power of the home consumer brands ranks in the world.

Rank	Brand	2004 Brand Value (\$billions)
1	COCA-COLA	\$67.39
2	MICROSOFT	61.37
3	IBM	53.79
4	GE	44.11
5	INTEL	33.50
6	DISNEY	27.11
7	MCDONALD'S	25.00
8	NOKIA	24.04
9	TOYOTA	22.67
10	MARLBORO	22.13

Source: Interbrand Corp., J.P. Morgan Chase & Co., Citigroup, Morgan Stanley



Coming from Beijing to Boston, iPod users have a long drive

This seismic shift in clout from companies to their customers is creating opportunities, especially for younger brands that grew up with the Internet and have become adept at building user communities. Meanwhile, some traditional brands, such as Coca-Cola and Microsoft, are struggling to retain their mammoth leads in a market where consumers increasingly resist what they see as bland ubiquity and a surfeit of power.

There have always been cult brands, mostly smaller labels unknown to the masses. But these days, building cults or at least strong communities, is a widespread strategy. No wonder companies that are able to instill a sense of ownership in near-fanatical customers showed the biggest gains in our fourth annual ranking of the 100 most valuable global brands. The loyal, if sometimes nagging, band of true believers behind No. 43 Apple—combined with tremendous success of the iPod—helped the dollar value of the brand jump 23.7%, to \$6.9 billion, over the past year. That was the biggest increase in this year's ranking, which is compiled in partnership with leading brand consultancy Interbrand Corp. A dollar value is calculated for each brand using a mix of publicly available data, projected profits, and variables like market leadership.

Apple was hardly alone in enlisting recruits. eBay makes its debut at No. 60. Fellow hot property Samsung Electronics, No. 21, jumped 15.7% in value to \$12.6 billion—a move that Seoul-based global marketing chief Eric B. Kim attributes to “building communities around our brand.” Along with honing

a high-end image with its feature-packed cell phones and flat-panel TVs, it nurtures loyalty with events for users. Yahoo! and Amazon.com, Nos. 61 and 66, respectively, also made significant gains. But success isn't limited to the young. Cult icon Harley-Davidson, No. 41, climbed despite having been founded more than a century ago. While the value of those brands is a fraction of the top-ranked \$67.4 billion Coca-Cola brand or No. 2 Microsoft, with \$61.4 billion, those behemoths have lost brand value over the past year. And they, too, have started to recognize the need to nurture stronger ties with consumers. Witness moves by Microsoft to hold mini trade shows in airport lounges for consumers and the soda giant's creation of hip “Coke Red Lounges” for teens in suburban malls.

Group Think

THE GOAL: TO FOSTER A SENSE of shared experience and of belonging. Starbucks Chairman Howard D. Schultz balks at the notion that his brand, which ranks 98th in our survey and jumped 12% in value this year, is about selling various iterations of coffee. Says Schultz: “The product is the experience.” His shops may sell latte, but what people really crave is the hip, relaxed ambiance, the music, even the baristas who remember the regulars' favorite concoctions. Sounds crazy? Not to student Amy Berkman. Approach her at her favorite New York City outlet and she lets forth a stream of opinions on everything from

SPECIAL REPORT

ideal chair configurations in the store to the type of mustard they should use on their ham-and-cheese sandwiches. "Something more tangy and grainy would work better," she says, sipping on her daily chai latte. She cares because this is where she hangs out with her friends. Berkman doesn't like coffee; she likes the experience of being at Starbucks.

The brands that have managed to build cultlike followings have done so by being, well, cultlike, at least in some aspects. They are self-consciously different from rivals. They're bound by a set of clearly defined and rigorously enforced values. And they fulfill a range of needs for their members—er, customers. The fastest-growing ones often project an aura, an attractive group identity. Conjure up an image of an Armani customer or a Porsche driver and it will evoke a set of personality characteristics as much as it evokes a product preference. They also beget proselytizers—customers who will chat up the brands to their buddies, set up Web sites, attend events, and proudly identify themselves as adherents, according to strategist Douglas Atkin of ad agency Merkle & Partners, who recently wrote *The Culting of Brands*. Nobody has to pay them. They are owners as well as customers.

Empowered Consumers

THE CLASSIC EXAMPLE of a cult brand is Harley-Davidson. The 101-year-old brand gained 4% in value this year to \$7.1 billion. Sure, there are new models like the sleek V-Rod line and fresh features aimed at wooing women, but the real buzz comes from the 886,000 members of the company-sponsored Harley Owners Group. They're the ones who organize rides, training courses, social events, and charity fund-raisers. They pore through motorcycle magazines and wear the Harley-branded gear to feel more like rugged individualists and outlaws when they hit the road on weekends. A quarter of a million of them descended on Milwaukee last Labor Day to celebrate the brand's centennial. No wonder more than half of new Harley sales are to current customers who are trading up. The brand is self-reinforcing.

It doesn't take a cool category like motorcycles to yield a cult brand. Some are found in far more mundane sectors—like furniture retailing. In Shanghai, Wang Jian Shuo runs a Web blog that, among other things, delves into his likes and dislikes with No. 40 Ikea, the Swedish furniture chain that offers modestly priced, ready-to-assemble furniture with cute names. He writes about everything from the 12¢ ice cream cones in the store cafeterias to how, as a newly graduated student in 1999, he spent his first month's salary on a "Billy Bookcase." Notes Wang: "Ikea seems to know my life better than



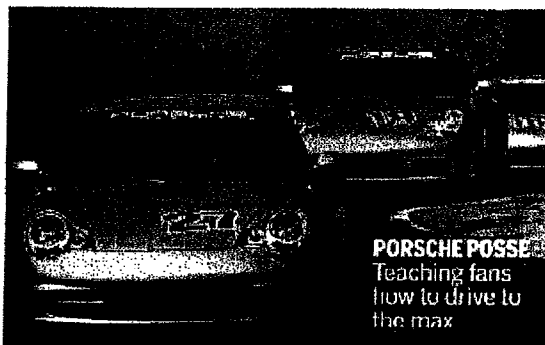
INTO IKEA
Everyone
loves the kids'
section

Cultlike brands are self-consciously different from their competitors

any other furniture brand." Among those posting responses to his musings are a Malaysian fan who started his own Ikea forum and another who makes jokes about Swedish meatballs.

Such exchanges underline a key aspect of brand communities in the modern age: They evolve in ways that the head office often can't control. Newly empowered consumers can appropriate and manipulate the brand in whatever way they want. The Neistat brothers' anti-iPod Web site has generated 1.4 million hits from around the world. And it's not just brand fans who can make a difference—or inflict damage. Witness the success of *Super Size Me*, in which documentary filmmaker Morgan Spurlock chronicled his decline in health while eating meals at McDonald's for 30 days in a row. Although it denies any link, McDonald's Corp. recently did away with the Super Size meal option. They called it a menu simplification.

The key for brand builders is to give empowered consumers a great product and the tools to use it however they want. Jeffrey P. Bezos, chief executive of Amazon.com, whose brand value grew 22%, believes there is a distinct community built around his brand, even though it's now used by more than 30 million people



PORSCHE POSSE
Teaching fans
how to drive to
the max

worldwide. For him, community is defined as "neighbors helping neighbors make purchase decisions." That means allowing negative customer reviews, even if it sabotages a possible sale. It meant halting spending on conventional advertising last year to funnel money into cutting prices and improving service in the belief that the community itself would spread the word. What Bezos does control is the range and quality of his site's offerings. "The thing that we did early on is that we made it very easy for people to find very obscure products," notes Bezos. "If you're not doing something that people will remark on, then it's going to be hard to generate word of mouth."

Some companies are using mass customization to bind their customers ever more tightly to their brands. The efforts extend beyond the individualized Web pages that characterize Web sites like Amazon.com and eBay. It means allowing customers to set up fan sites on the Web or personalize items. Some companies, like No. 18 Honda Motor and Nike, offer tools to help customers put their imprint on a product—such as choosing unique color combinations and messages for their sneakers. But relinquishing control has proved to be hard for some marketers. No. 6 Walt Disney and No. 82 AOL have famously chased down fans for unauthorized use of copyrighted material. As brand "futurist" Andrew Zolli argues: "When you get to the point where you're suing your customers over their use of your brand, it's time to change your business model."

Even brands that have largely grown through acquisitions and smart pricing understand the importance of building a distinct image and fan base. As Peter Stringham, group general manager of HSBC Holdings PLC bank in London notes: "Nobody needs a new anything anymore." Instead, what has allowed No. 33 HSBC to jump 15%, to \$8.7 billion, this year is clear differentiation as "the world's local bank" with a flavor that varies by location. On Jan. 28, for example, it kicked off the rebranding of newly acquired Mexican bank GT Bital with a free live concert in Mexico City for 10,000 people by pop singer Luis Miguel. In New York, it grabbed attention by offering free taxi rides in a cab emblazoned with the bank's red and white logo to any passenger with an HSBC bank card.

In contrast, some old-line brands seem to be coasting on sheer size rather than an ability to forge a unique relationship with customers. Even brands that have enjoyed decades of success and

have instant recognition with consumers can lose some sparkle. Over the past year heavyweights like Microsoft, Coca-Cola, and Walt Disney saw their brand values erode. Others, like Finnish mobile-phone giant Nokia Corp., No. 8, are struggling to regain momentum. "Nokia used to differentiate but I don't think people would know what to associate with it now," argues Jan Lindemann, Interbrand's global director of brand valuation. Nokia's head of global branding, Tapio Hedman, admits that "some young people may find Nokia too everyday, too middle of the road." But he disputes

the notion that his brand could plummet 18% over 12 months, as it did this year in our ranking, arguing that brand equity takes years to win and lose. "Once you have it, it's a bit like insurance," says Hedman. "It's not likely to be eroded very fast unless you make one mistake after another."

That may be a dangerous point of view to take. Just ask Royal Philips Electronics' new chief marketing officer, Andrea Ragnetti, who blames the lack of buzz around the Dutch electronics giant, which dropped 2% in the rankings, to No. 65, on years of underinvesting in the brand. "It's seen as a dull, solid, reliable brand but nothing really special, nothing sparkling," says Ragnetti, who is

currently trying to narrow the brand's target demographics and recast its message.

That doesn't mean big brands can't connect with customers. Even massive players like No. 4 General Electric Co., which saw its brand value gain 4%, to \$44.1 billion, can adopt a fun, flirty style. The most popular section on the company's Web site is the "GE Pen," which allows users to doodle in a variety of colors and styles before e-mailing their handiwork to a friend. Since launching last year, it has received more than 43 million impressions. When the site went down for a few days to upgrade, the

company was deluged with e-mails that asked where it had gone. Does it help the company sell more ovens or advertising on NBC? Probably not. But it certainly gives users a warmer feeling about GE. These days, anything that makes fans out of fickle consumers can be priceless in building a brand. ■

—By Diane Brady in New York, with Robert D. Hof in San Mateo, Calif., Andy Reinhardt in Paris, Moon Ihlwan in Seoul, Stanley Holmes in Seattle, Kerry Capell in London, and bureau reports

The Big Winners

It's the year of the iPod (Apple). Meanwhile, Net brands (Amazon, Yahoo) extend their reach, a Korean electronics juggernaut (Samsung) just gets stronger, and a London outfit (HSBC) stakes its claim as the world's local banker.

RANK	BRAND	2004 BRAND VALUE (BILLIONS)	2003 BRAND VALUE (BILLIONS)	PERCENT CHANGE
43	APPLE	\$6.87	\$5.55	+24%
66	AMAZON.COM	4.16	3.40	+22%
61	YAHOO!	4.55	3.89	+17%
21	SAMSUNG	12.55	10.85	+16%
33	HSBC	8.67	7.56	+15%

Data: Interbrand Corp. © H. Morten Christensen & Co., Copenhagen, Morten Christensen

The Big Losers

Technology and competition march onward, battering once-sterling brands in consumer photography (Kodak), video games (Nintendo), cell phones (Nokia), online service (AOL), and autos (Ford). Consumers ask: What's so special?

RANK	BRAND	2004 BRAND VALUE (BILLIONS)	2003 BRAND VALUE (BILLIONS)	PERCENT CHANGE
53	KODAK	\$5.23	\$7.83	-33%
46	NINTENDO	6.48	8.19	-21%
8	NOKIA	24.04	29.44	-18%
82	AOL	3.25	3.96	-18%
19	FORD	14.47	17.07	-15%

Data: Interbrand Corp. © H. Morten Christensen & Co., Copenhagen, Morten Christensen

BusinessWeek online For an interview with Bezos and a Video View with Interbrand's Lindemann, go to businessweek.com/magazine/extra.htm

THE GLOBAL BRAND SCOREBOARD

The 100 Top Brands

Here's how we calculate the power in a name

LOTS OF INGREDIENTS go into ranking the world's most valuable brands. To even qualify for the list, each brand must have a value greater than \$1 billion, derive about a third of its earnings outside its home country, and have publicly available marketing and financial data. One or more of those criteria eliminate such heavyweights as Visa, Wal-Mart, Mars, and CNN. We don't rank parent companies, which explains why Procter & Gamble doesn't show up. And airlines are not ranked because it's too hard to separate their brand's impact on sales from factors such as routes and schedules.

BUSINESSWEEK CHOSE Interbrand Corp.'s methodology because it evaluates brands much

the way analysts value other assets: on the basis of how much they're likely to earn in the future. Then the projected profits are discounted to a present value, based on the likelihood that those earnings will actually materialize.

THE FIRST STEP IS figuring out what percentage of a company's revenues can be credited to a brand. (The brand may be almost the entire company, as with McDonald's Corp., or just a portion, as it is for Marlboro.) Based on reports from analysts at J.P. Morgan Chase, Citigroup, and Morgan Stanley, Interbrand projects five years of earnings and sales for the brand. It then deducts operating costs, taxes,

and a charge for the capital employed to arrive at the intangible earnings. The company strips out intangibles such as patents and customer convenience to assess what portion of those earnings is due to the brand.

FINALLY, THE BRAND'S strength is assessed to determine the risk profile of those earnings forecasts. Considerations include market leadership, stability, and global reach—its ability to cross both geographical and cultural borders. That generates a discount rate, which is applied to brand earnings to get a net present value. *BusinessWeek* and Interbrand believe this figure comes closest to representing a brand's true economic worth.

RANK 2004 / 2003		2004 BRAND VALUE \$MILLIONS	2003 BRAND VALUE \$MILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
1 1	COCA-COLA	67,394	70,453	-4%	U.S.	Little innovation beyond its flagship brand and poor management has caught up with Coke as consumers' thirst for cola has diminished.
2 2	MICROSOFT	61,372	65,174	-6%	U.S.	Its logo pops up on 400 million computer screens worldwide. But virus plagues and rival Linux took some luster off Gates & Co.
3 3	IBM	53,791	51,767	4%	U.S.	A leader in defining e-business, with services making up more than half of Big Blue's sales.
4 4	GE	44,111	42,340	4%	U.S.	With acquisitions in areas from bioscience to bomb detection, it's easier to buy GE's new theme of "Imagination at work."
5 5	INTEL	33,499	31,112	8%	U.S.	No longer just inside PCs, Intel is using its muscle to set the agenda for everything from wireless standards to the digital home.
6 7	DISNEY	27,113	28,036	-3%	U.S.	Long the gold seal in family entertainment, but newcomers like Nickelodeon and Pixar are siphoning off some of its brand equity.
7 8	MCDONALD'S	25,001	24,699	1%	U.S.	Big Mac has pulled out of a two-year slump but still has to battle its reputation for supersizing the world's kids.
8 6	NOKIA	24,041	29,440	-18%	Finland	Tough times for the mobile-phone giant as its market share has slipped and younger buyers turn to rivals such as Samsung.
9 11	TOYOTA	22,673	20,784	9%	Japan	With rock-solid quality and the edge in hybrid cars, the Japanese auto maker is on track to overtake Ford in worldwide sales.
10 9	MARLBORO	22,128	22,183	0%	U.S.	The No. 1 name in cigarettes has cut prices and upped marketing to beat back the challenges of higher taxes and fewer smokers.
11 10	MERCEDES	21,331	21,371	0%	Germany	With wobbly profits and quality problems, the luxury car brand is struggling to retain premium status.
12 12	HEWLETT-PACKARD	20,978	19,860	6%	U.S.	Covering everything from digital cameras to service, the IT giant wants to dominate the middle ground between Dell and IBM.
13 13	CITIBANK	19,971	18,571	8%	U.S.	New CEO Charles Prince has spurred on global expansion and boosted the consumer credit division.
14 15	AMERICAN EXPRESS	17,683	16,833	5%	U.S.	A recent federal court ruling that allows banks to issue Amex cards should give the brand another boost.
15 16	GILLETTE	16,723	15,978	5%	U.S.	Despite the tougher competition from Schick, the King of Blades still reigns with new products like the battery-powered M3Power.

RANK 2004 / 2003	2004 BRAND VALUE \$MILLIONS	2003 BRAND VALUE \$MILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION	
16 17	CISCO	15,948	15,789	1%	U.S.	The networking behemoth used slick TV ads and key acquisitions like Linksys to extend its reach.
17 19	BMW	15,886	15,106	5%	Germany	The Bavarian auto maker is powering higher sales with a raft of new models from the sleek 6 Series sports coupe to the X3 baby SUV.
18 18	HONDA	14,874	15,625	-5%	Japan	Overtaken by Nissan at home and falling further behind rival Toyota in the U.S. market.
19 14	FORD	14,475	17,066	-15%	U.S.	Ford is trying to make quality "Job One" again after an embarrassing run of glitches, but leery consumers haven't yet regained trust.
20 20	SONY	12,759	13,153	-3%	Japan	It was late to the LCD TV boom, and the PS2 video game console is slipping. Worse, rival Samsung is in Sony's face.
21 25	SAMSUNG	12,553	10,846	16%	S. Korea	No longer known just for undercutting the prices of big Japanese brands, the Korean consumer-electronics dynamo is suddenly cool.
22 23	PEPSI	12,066	11,777	2%	U.S.	Targeted marketing and ads abroad with stars like soccer icon David Beckham have enabled the No. 2 cola maker to steal some of Coke's fizz.
23 21	NESCAFE	11,892	12,336	-4%	Switzerland	It's still the world's favorite instant coffee but even products like Ice Java struggle against hip upscale brands like Starbucks.
24 22	BUDWEISER	11,846	11,894	0%	U.S.	The growing global low-carb trend has left Bud flat. Plus, it's under attack from bulked-up and feisty rival Miller.
25 29	DELL	11,500	10,367	11%	U.S.	With its reputation for low prices and fast delivery, Dell continues to leave competitors in the dust.
26 27	MERRILL LYNCH	11,499	10,521	9%	U.S.	A painful overhaul is behind it. Now the retail brokerage is back in hiring and expansion mode.
27 26	MORGAN STANLEY	11,498	10,691	8%	U.S.	The investment bank's reputation is rising along with mergers and stock issuances, its specialty.
28 24	ORACLE	10,935	11,263	-3%	U.S.	The database-software business is up, but CEO Lawrence Ellison's fight to buy rival PeopleSoft makes Oracle look like a corporate raider.
29 28	PFIZER	10,635	10,455	2%	U.S.	The pharma industry's powerhouse, with 11 products each expected to top \$1 billion in annual sales this year.
30 31	J.P. MORGAN	9,782	9,120	7%	U.S.	The marquee investment bank had a solid year, and now can extend its reach with its \$58 billion acquisition of Bank One Corp.
31 33	NIKE	9,260	8,167	13%	U.S.	With allegations of sweatshop operations behind it and a growing soccer line, Nike rules the athletic market.
32 30	MERCK	8,811	9,407	-6%	U.S.	The drugmaker has tried to bolster its lineup with more partnerships, but patent expirations and research flops still pinch.
33 37	HSBC	8,671	7,565	15%	Britain	After snapping up Household International in 2003, the "world's local bank" is making inroads in the U.S. market.
34 35	SAP	8,323	7,714	8%	Germany	Its establishment image and sharp marketing have helped SAP thrive in a volatile software market.
35 39	CANON	8,055	7,192	12%	Japan	Hot digital cameras and printers boosted sales. Next up: an expanded line of sleek color copiers.
36 38	KELLOGG'S	8,029	7,438	8%	U.S.	Jumping on the low-carb bandwagon has kept Kellogg's cereal business crackling.
37 41	GOLDMAN SACHS	7,954	7,039	13%	U.S.	With record profits, it remains one of the most prestigious institutions on Wall Street.
38 36	GAP	7,873	7,688	2%	U.S.	The retail chain has revived its brand with fresh fashions and celebrity endorsements.
39 NEW	SIEMENS	7,470	New	New	Germany	The Munich conglomerate behind everything from phones to power plants is seeing a payoff from years of global image building.
40 43	IKEA	7,182	6,918	4%	Sweden	The Swedish home furnishing chain is now pushing cheap chic furnishings as far as Russia and Asia.
41 44	HARLEY-DAVIDSON	7,057	6,775	4%	U.S.	The motorcycle icon has lowered seat heights to woo women and trimmed prices, but production limits put a brake on growth.
42 40	HEINZ	7,026	7,097	-1%	U.S.	Despite wacky colors and cute ads, it's proving hard to boost value in foods like ketchup and beans.
43 50	APPLE	6,871	5,554	24%	U.S.	The iPod digital music player gave one of tech's coolest brands the consumer electronics hit of the year.
44 45	LOUIS VUITTON	6,602	6,708	-2%	France	It has a hot Murakami line and Jennifer Lopez in its ads, but is Vuitton getting over-exposed?

THE GLOBAL BRAND SCOREBOARD

RANK 2004 / 2003		2004 BRAND VALUE \$MILLIONS	2003 BRAND VALUE \$MILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION	
45	NEW	UBS	6,526	New	New	Switzerland	With a consolidated brand and its catchy "You and Us" campaign, the world's biggest asset manager is booming.
46	32	NINTENDO	6,479	8,190	-21%	Japan	It has an unrelenting focus on kids, but has Nintendo abandoned the gamers who have grown up?
47	46	MTV	6,456	6,278	3%	U.S.	The music network pumps cash for parent Viacom, and has an international reach that's the envy of U.S. media rivals.
48	42	VOLKSWAGEN	6,410	6,938	-8%	Germany	Aging models and missteps make consumers write off the people's car as pricey and a bit dull.
49	47	L'OREAL	5,902	5,600	5%	France	Expansion in Asia and smart targeting of ethnic markets have the personal-care group looking prettier every day.
50	52	ACCENTURE	5,772	5,301	9%	U.S.	The tech services giant has its mojo back, with a contract to secure U.S. borders, and more consulting work.
51	48	XEROX	5,696	5,578	2%	U.S.	The copier maker is starting to convince customers that it can be a digital document one-stop-shop.
52	55	WRIGLEY'S	5,424	5,057	7%	U.S.	Sales are up as the gum maker looks to push popular brands into more mouths worldwide.
53	34	KODAK	5,231	7,826	-33%	U.S.	Removed from the Dow and only dominant in a film business that shrinks every year.
54	49	KFC	5,118	5,576	-8%	U.S.	Despite efforts to make the brand seem healthier, the world still focuses on the middle name in Kentucky Fried Chicken.
55	51	PIZZA HUT	5,050	5,312	-5%	U.S.	The low-carb craze crimped pizza sales, and the chain's tardiness in diversifying its menu didn't help.
56	56	COLGATE	4,929	4,686	5%	U.S.	With a growing lead over Crest in markets from Russia to China, the toothpaste company is smiling.
57	54	KLEENEX	4,881	5,057	-3%	U.S.	The big name in tissues can't blow off fierce price-cutting by rivals or higher costs in pulp and paper.
58	57	AVON	4,849	4,631	5%	U.S.	The cosmetic company's door-to-door model is performing beautifully in foreign markets like Brazil and China.
59	53	GUCCI	4,715	5,100	-8%	Italy	Sales were slipping even before influential creative director Tom Ford said an April <i>arrivederci</i> .
60	NEW	EBAY	4,700	New	New	U.S.	With everything from vintage jewelry to new DVDs, it's where the world shops for bargains.
61	65	YAHOO!	4,545	3,895	17%	Switzerland	The Internet portal has found riches in sponsored search but former partner Google is muscling into its turf.
62	60	NESTLE	4,529	4,460	2%	France	Chocolate is the key ingredient, but the Swiss giant is moving into nutritional supplements and fitness bars.
63	62	DANONE	4,488	4,237	6%	France	Strong sales of dairy products and bottled water keeps the French food company in good health.
64	61	CHANEL	4,416	4,315	2%	U.S.	Successful couture and Nicole Kidman ads have kept this fashion house on people's lips, hips, and wrists.
65	59	PHILIPS	4,378	4,464	-2%	Netherlands	The Dutch electronics giant has scored some hits, but it's still struggling to fend off Asian rivals
66	74	AMAZON.COM	4,156	3,403	22%	U.S.	It dumped TV ads to cut prices, jump-starting sales and building its position as the Wal-Mart of the Web.
67	63	KRAFT	4,112	4,171	-1%	U.S.	There's new low-carbs packaging but critics accuse the food giant of producing products that make kids fat.
68	75	CATERPILLAR	3,801	3,363	13%	U.S.	The equipment manufacturer is plowing ahead as the Industrial sector strengthens.
69	67	ADIDAS	3,740	3,679	2%	Germany	The German maker of athletic wear dominates in soccer, but is still trying to find its footing in the U.S.
70	68	ROLEX	3,720	3,673	1%	Switzerland	For high-end consumers, the leading luxury watch maker's appeal is timeless.
71	76	REUTERS	3,691	3,300	12%	Britain	American CEO Tom Gloer's cost cuts and new products are helping the info giant turn the corner.
72	69	BP	3,662	3,582	2%	Britain	Now second only to ExxonMobil in size, BP is raking in cash thanks to high oil and gas prices.
73	66	TIME	3,651	3,784	-4%	U.S.	Softer advertising pulls down the brand even as its book division pumps out bestsellers.

RANK 2004 / 2003	2004 BRAND VALUE \$MILLIONS	2003 BRAND VALUE \$MILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION	
74 NEW	PORSCHE	3,646	New	New	Germany	The high-end Cayenne SUV produced record profits and turbocharged the brand.
75 70	TIFFANY	3,638	3,540	3%	U.S.	The lure of its diamonds, pearls, and silver is strong but Japan is looking tarnished and U.S. store sales are down.
76 81	MOTOROLA	3,483	3,103	12%	U.S.	Motorola is relevant again, with its clam-shell phones gaining in Europe and in new markets like China.
77 79	PANASONIC	3,480	3,257	7%	Japan	It boasts some of the best technology in must-have items like recordable DVDs and plasma-screen TVs.
78 78	HERTZ	3,411	3,288	4%	U.S.	Healthy international markets help the king of car rental roar again, even amid rising gas prices.
79 73	HERMES	3,376	3,416	-1%	France	The maker of silk scarves and Kelly handbags hopes designer Jean Paul Gaultier can freshen its image.
80 71	DURACELL	3,362	3,438	-2%	U.S.	Relentless discounting and promotions continue to commoditize the world of batteries.
81 NEW	AUDI	3,288	New	New	Germany	The new A8 and strong global expansion have made Audi a profit engine. It's even thriving in China.
82 64	AOL	3,248	3,961	-18%	U.S.	Federal accounting inquiries and a messy merger have tarnished the AOL name as it fights to keep customers.
83 82	HENNESSY	3,084	2,996	3%	France	Parent LVMH is toasting the popularity of cognac with the world's young urbanites, especially among the hip-hop set.
84 83	SHELL	2,985	2,983	0%	Brit./Neth.	The energy giant is struggling to recuperate from a reserves downgrade and a boardroom bloodbath.
85 77	LEVI'S	2,979	3,298	-10%	U.S.	Even its iconic 501 jeans are discounted these days and brands like Diesel are finding legs with young shoppers.
86 85	SMIRNOFF	2,975	2,806	6%	Britain	The best-selling vodka builds on its popularity with Smirnoff Twist and "malternatives" such as Smirnoff Ice.
87 86	JOHNSON&JOHNSON	2,952	2,706	9%	U.S.	Holding firm in a tough market, it had a hit with a drug-coated stent. But competition looms there, too.
88 NEW	ING	2,864	New	New	Netherlands	ING Direct and a forceful U.S. marketing push put the Dutch financial services firm on the map.
89 88	MOET & CHANDON	2,861	2,524	13%	France	Strong growth in Japan and the U.S. keeps the world's leading champagne brand bubbling along.
90 89	NISSAN	2,833	2,495	14%	Japan	Having pushed aside Honda in Japan, it's gaining North American share with Titan trucks and the Altima sedan.
91 NEW	CARTIER	2,749	New	New	France	The bejeweled panther has shed cheaper items and held tight to its luxury status through tough times.
92 NEW	ESTEE LAUDER	2,634	New	New	U.S.	This fixture of the high-end cosmetics counter is now expanding in middle markets like retailer Kohl's.
93 NEW	ARMANI	2,613	New	New	Italy	Known for classy clothes, it's expanding into everything from home furnishings to hotels and restaurants.
94 84	BOEING	2,576	2,864	-10%	U.S.	It has lost commercial market share to rival Airbus, as execs try to erase the taint of a Pentagon hiring scandal.
95 87	PRADA	2,568	2,535	1%	Italy	Still the preserve of pretty stars but rapid expansion and debt could dilute some of Prada's exclusive cachet.
96 91	MOBIL	2,492	2,407	4%	U.S.	It got a boost from reformulated motor oil and its status as NASCAR's official lubricant.
97 92	NIVEA	2,409	2,221	8%	Germany	The mid-market skin-care line is now a leader in plumping up men's faces, too.
98 93	STARBUCKS	2,400	2,136	12%	U.S.	Global expansion, new products, and yet more variations on the humble cup of java boost the coffee hut's appeal.
99 90	HEINEKEN	2,380	2,431	-2%	Netherlands	Sales may be flat at Europe's largest brewery, but the 141-year-old Amsterdam brand remains the world's favorite premium brew.
100 95	POLO RL	2,147	2,048	5%	U.S.	It has consolidated control of its clothing brand, pushing same-store sales up 11% in the last quarter of 2003.

The brand valuations draw upon publicly available information, which has not been independently investigated by Interbrand. Valuations do not represent a guarantee of future performance of the brands or companies. Data: Interbrand Corp., J.P. Morgan Chase & Co., Citigroup, Morgan Stanley, BusinessWeek

ANNUAL REPORT

GLOBAL BRANDS

BusinessWeek/Interbrand rank the companies that best built their images—and made them stick

BY ROBERT BERNER AND DAVID KILEY

ADVERTISERS WHO WANT TO REACH THE Publitz family of Montgomery, Ohio, have to leap a lot of hurdles. Telemarketing? Forget it—the family of five has Caller ID. The Internet? No way—they long ago installed spam and pop-up ad blockers on their three home computers. Radio? Rudy Publitz, 47, has non-commercial satellite radio in his car and in the home. Television? Not likely—the family records its favorite shows on TiVo and skips most ads. “The real beauty is that if we choose to shut advertising out, we can,” Rudy says. “We call the shots with advertisers today.”

The Publitzes and other ad-zapping consumers like them pose an enormous challenge these days to marketers trying to build new brands and nurture old ones. To get a reading on which brands are succeeding—and which aren’t—take a look at the fifth annual *BusinessWeek/Interbrand* ranking of the 100 most valuable global brands. The names that gained the most in value focus ruthlessly on every detail of their brands, honing simple, cohesive identities that are consistent in every product, in every market around the world, and in every contact with consumers. (In the ranking, which is compiled in partnership with brand consultancy Interbrand Corp., a dollar value is calculated for each brand using publicly available

data, projected profits, and variables such as market leadership.)

The best brand builders are also intensely creative in getting their message out. Many of the biggest and most established brands, from Coke to Marlboro, achieved their global heft decades ago by helping to pioneer the 30-second TV commercial. But it’s a different world now. The monolithic TV networks have splintered into scores of cable channels, and mass-market publications have given way to special-interest magazines aimed at smaller groups. Given that fragmentation, it’s not surprising that there’s a new generation of brands, including

Amazon.com, eBay, and Starbucks, that have amassed huge global value with little traditional advertising. They’ve discovered new ways to captivate and intrigue consumers. Now the more mature brands are going to school on the achievements of the upstarts and adapting the new techniques for themselves.

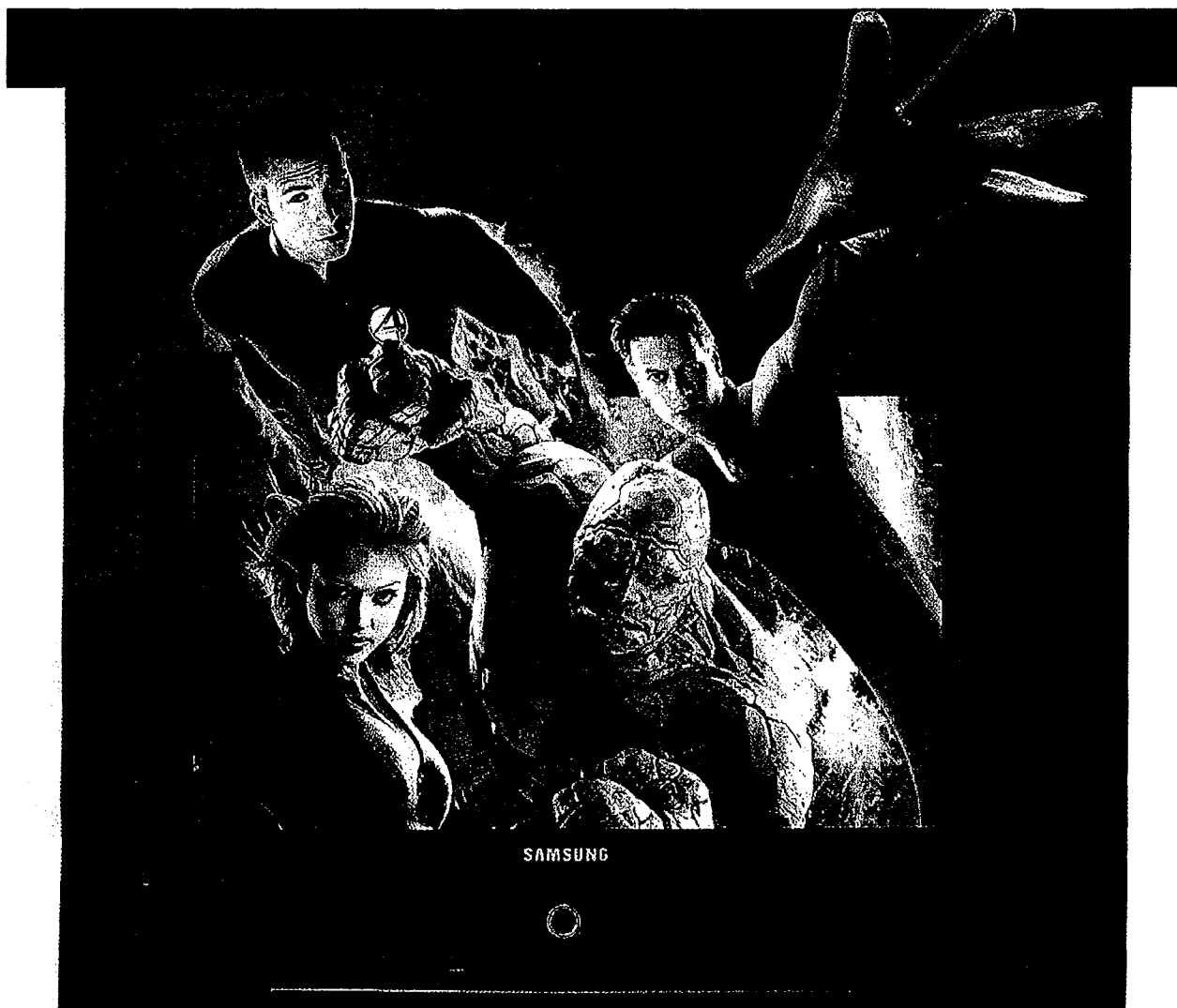
So how do you build a brand in a world in which consumers are increasingly in control of the media? The brands that rose to the top of our ranking all had widely varied marketing arsenals and were able to unleash different campaigns for different consumers in varied media almost simultaneously. They wove messages over multiple media channels and blurred the lines between ads and entertain-

THE BIG WINNERS

High tech and finance got it right in this year’s ranking. America’s electronic flea market, eBay, has ended up on top, a few rungs above Apple. Samsung repeats from last year, as does HSBC. Joining the megabank is financial powerhouse UBS.

RANK 2005	BRAND	2005 BRAND VALUE (\$BILLIONS)	2004 BRAND VALUE (\$BILLIONS)	PERCENT CHANGE
55	EBAY	\$570	\$470	+21%
29	HSBC	10.43	8.67	+20
20	SAMSUNG	14.96	12.55	+19
41	APPLE	7.99	6.87	+16
44	UBS	7.57	6.53	+16

Data: Interbrand Corp., J.P. Morgan Chase & Co., Citigroup, Morgan Stanley



ment. As a result, these brands can be found in a host of new venues: the Web, live events, cell phones, and handheld computers. An intrepid few have even infiltrated digital videorecorders, devices that are feared throughout the marketing world as the ultimate tool for enabling consumers to block unwanted TV ads.

Some marketers have worked to make their brand messages so enjoyable that consumers might see them as entertainment instead of an intrusion. When leading brands are seen on TV they're apt to have their own co-starring roles—as No. 9 Toyota Motor Corp. did in reality show *The Contender*—rather than just lending support during the commercial breaks. All are trying to create a stronger bond with the consumer. Take No. 41 Apple Computer Corp., which last fall launched a special iPod MP3 player in partnership with band U2. Not only did the “U2 iPod” say “U2” on the front and have band signatures etched into the back, but the band starred in a TV ad and buyers got \$50 off a download of 400 U2 songs. No. 8 McDonald's Corp.'s sponsorship of a tour by R&B group Destiny's Child means that fans who want access to exclusive video and news content about the band have to click first on the company's Web site. “It's hard here to tell where the brand message ends and

SAMSUNG

The electronics giant has focused its marketing on movie and music tie-ins and the Internet

by [illegible]

where the entertainment and content begins,” says Ryan Barker, director of brand strategy at consultancy The Knowledge Group.

It's no accident that most of the companies with the biggest increases in brand value in the 2005 ranking operate as single brands everywhere in the world. Global marketing used to mean crafting a new name and identity for each local market.

America's No. 1 laundry detergent, Tide, is called Ariel in Europe, for example. The goal today for many, though, is to create consistency and impact, both of which are a lot easier to manage with a single worldwide identity. It's also a more efficient approach, since the same strategy can be used everywhere. An eBay shopper in Paris, France, sees the same screen as someone logging in from Paris, Texas. Only the language is different. Global banks HSBC, No. 29, which posted a 20% increase in brand value, and No. 44 UBS, up 16%, use the same advertising pitches around the world. “Given how hard the consumer is to reach today, a strong and unified brand message is increasingly becoming the only way to break through,” says Jan Lindemann, Interbrand's managing director, who directed the Top 100 Brands ranking.

Possibly no brand has done a better job of mining the po-

ANNUAL REPORT



tential of these new brand-building principles than Korean consumer electronics manufacturer Samsung Electronics Co. Less than a decade ago, it was a maker of lower-end consumer electronics under a handful of brand names including Wiseview, Tantus, and Yepp, none of which meant much to consumers. Figuring that its only shot at moving up the value chain was to build a stronger identity, the company ditched its other brands to put all its resources behind the Samsung name. Then it focused on building a more upscale image through better quality, design, and innovation.

Beginning in 2001, the newly defined Samsung came out with a line of top-notch mobile phones and digital TVs, products that showed off the company's technical prowess. By vaulting the quality of its offerings above the competition in those areas, Samsung figured it could boost the overall perception of the brand. Besides, consumers form especially strong bonds with cell phones and TVs. Most people carry their mobile phones with them everywhere, while their TV is the center of the family room. "We wanted the brand in users' presence 24/7," says Peter Weedfald, head of Samsung's North American marketing and consumer electronics unit.

Now that strategy is paying off. Over the past five years, No. 20 Samsung has posted the biggest gain in value of any Global 100 brand, with a 186% surge. Even sweeter, last year Samsung surpassed No. 28 Sony, a far more entrenched rival that once owned the electronics category, in overall brand value. Now, in a nod to Samsung, Korean electronics concern LG Electronics Inc. has followed its rival's playbook. Cracking this year's global list for the first time at No. 97, LG has also sought to elevate its product under a single brand led by phones and TVs.

Some of the older brands in our ranking are clearly struggling to remake their marketing and product mix for a more complex world. This year's biggest

HSBC
No matter what country or language, the bank comes at you with the same cohesive message

losers in brand value include Sony (down 16%), Volkswagen (down 12%), and Levi's (down 11%). VW acknowledges its brand value slippage. "Volkswagen is well aware of the current deficiencies," says VW brand chief Wolfgang Bernhard. Sony, which disputes that it is losing brand value, has suffered from an innovation drought.

The electronics giant pioneered the Walkman, but left Apple to revolutionize portable MP3 players, as well as digital downloading and organizing of music. Meanwhile, Sony's moves into films and music put it into areas where its brand adds no value. Worse, those acquisitions made Sony a competitor with other content providers. That, notes Samsung's Weedfald, gives his company an advantage in linking to the hottest music and movies. Samsung, for example, is lead sponsor of this summer's much-hyped movie, *The Fantastic Four*, in which a variety of Samsung gadgets play a part. VW faces different problems. It has attempted to move upmarket with the luxury Touareg sport-utility vehicle and Phaeton sedan models; but that has left car buyers, who associate VW with zippy, affordable cars, confused. Similarly, Levi's introduction of its less pricey Levi's Signature line in discount stores means it now competes on price at the low end, while trying to fend off rivals like Diesel at the upper end with its core "red tab" brand.

Of course, defining the essence of a brand is only part of the battle. Communicating it to the consumer is the other. On this front, there has clearly been a divide between newer brands that use traditional advertising as just one tool in an overall marketing plan and older ones that grew up with it. Sony, for example, far outspends Samsung on traditional advertising in the U.S. on electronics products. (Samsung advertises on TV only during the last six months of the year, its peak sales period.) Many young brands that scored big gains in value, like Google, Yahoo!, and eBay, depend on

THE BIG LOSERS

Steep declines weren't confined to just one industry. Sony took the deepest dive, but it was joined by an investment bank (Morgan Stanley), a carmaker (Volkswagen), a jeans maker (Levi's), and a computer company (Hewlett-Packard).

RANK 2005	BRAND	2005 BRAND VALUE (BILLIONS)	2004 BRAND VALUE (BILLIONS)	PERCENT CHANGE
28	SONY	\$10.75	\$12.76	-16%
33	MORGAN STANLEY	9.78	11.50	-15
56	VOLKSWAGEN	5.62	6.41	-12
96	LEVI'S	2.56	2.98	-11
13	HEWLETT-PACKARD	18.87	20.98	-10

Data: Interbrand Corp., J.P. Morgan Chase & Co., Citigroup, Morgan Stanley

their own interactive Web sites to shout about their brands

Now some older brands, like Coke, ranked No. 1 in overall brand value, and McDonald's are decreasing traditional advertising. In the past four years, McDonald's has cut TV advertising from 80% of its ad budget to 50%. Most of the shift has gone to online advertising. What's evolving, then, is a model in which most brand builders use a variety of marketing channels. HSBC has branded taxis to carry customers for free. And although eBay spends most of its marketing budget on Internet advertising, it also relies on TV to some extent to boost simple brand awareness. "With fragmentation and ad evasion, you can't count on one medium," says Tom Cotton, president of Conductor, a branding strategy firm.

Marketers who do turn to TV are trying to make brand messages as engrossing as the programming. Last year Toyota, whose brand value rose 10%, paid \$16 million to have its vehicles be part of the storyline on NBC reality show *The Contender*, about small-time boxers competing for a nationally televised bout. The grand prize: a million dollars and a Toyota truck. Rival Nissan, up 13%, has been parking its Titan pickups on Wisteria Lane in hit ABC show *Desperate Housewives*. The trucks will also ride into the new *Dukes of Hazzard* movie this month.

Nor are TV and movies the only target. No. 1 Coke, McDonald's, No. 88 Smirnoff, No. 16 BMW, No. 23 Pepsi, and No. 61 KFC are among brands striking deals to plant their brands in video games and even song lyrics. Deborah Wahl-Meyer, who headed Toyota marketing until recently moving to the company's Lexus division, says both divisions attempt to seed magazine and newspaper articles with vehicle references and pictures. "We have to be more a part of what people are watching and reading instead of being in between what people are watching and reading," Meyer says.

In an echo of Procter & Gamble Co.'s creation of the soap opera on radio and then TV, some brand builders are taking control of the programming themselves and creating content that tries to draw in ad-allergic consumers. BMW, whose brand value rose 8% over the past year, turned out a series of popular short films on the Internet starting in 2001. The seven-to-ten minute films starred BMW cars and were produced by A-list Hollywood directors like John Woo. The German auto maker has moved onto comic books based on the films aimed at Bimmer-aspiring teens and adults alike. "It's imperative to create media destinations that don't look like advertising," says James McDowell, who headed marketing for the BMW brand before recently taking over as chief of the parent company's MINI USA business. BMW has also embraced the enemy, TiVo, the television-top gadget that consumers use to skip ads altogether. Since last year, BMW has produced short films and long-form ads accessible through TiVo's main menu page. BMW fans are alerted to the films in the on-demand video menu when a BMW ad runs.

Such old-line brands as No. 14 American Express Co. are heading down the entertainment path, too. Tipping its hat to BMW, AmEx ran long-form Internet ads/films starring Jerry Seinfeld last year that succeeded in drawing consumers to its Web site and Webcasted concerts. AmEx Chief Marketing Officer John Hayes says flatly: "Brands are not being built on [traditional] advertising."

Still, none of these marketing ploys are sure bets in a world where old-school advertising means less. That's why more mar-

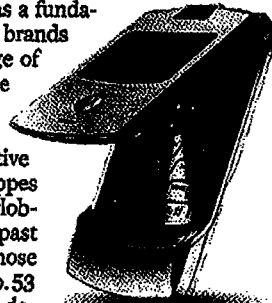
keters are investing in design as a fundamental way to distinguish their brands and to stay on the leading edge of technology. "Design isn't just the promise of a brand, like TV advertising—it's the reality of it," says Marc Gobe, chief executive of design consultancy Desgrippes

Gobe. Samsung has tripled its global design staff to 400 over the past five years. No. 73 Motorola, whose brand value rose 11%, and No. 53 Philips Electronics have boosted design spending. The move sparked the launch of Motorola's hot-selling Razr phone, the thinnest flip phone ever made. No. 85 Nissan gained 13% last year on a wave of bold designs, like its curvy Murano SUV and Altima sedan, as the Japanese company differentiates itself from Toyota and Honda through design rather than quality.

Good design implies more than just good looks. It's also about ease of use. Apple demonstrated this with its iPod. Users can pick songs or download music from the iTunes music bank with the swipe of a finger. That's blunted sales of Sony's Walkman MP3 player, which has been criticized as too cumbersome. Design can also mean sound. Samsung insists that all its products make the same reassuring tone when turned on. The Samsung tone is even being used in some advertising. "We want to have the same sound, look, and feel throughout our products so it all works toward one Samsung brand," says Gregory Lee, Samsung's global marketing chief.

The era of building brands namely through mass media advertising is over. The predominant thinking of the world's most successful brand builders these days is not so much the old game of reach (how many consumers see my ad) and frequency (how often do they see it), but rather finding ways to get consumers to invite brands into their lives. The mass media won't disappear as a tool. But smart companies see the game today as making bold statements in design and wooing consumers by integrating messages so closely into entertainment that the two are all but indistinguishable. ■

—With Mara Der Hovanesian in New York, Ian Rowley in Tokyo, Michael Arrndt in Chicago, and bureau reports



MOTOROLA

An eye to branding, plus design, begat the ultrathin Razr cell phone



BMW

The company produced films in which its luxury cars played starring roles

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(TOP) NIGEL COX